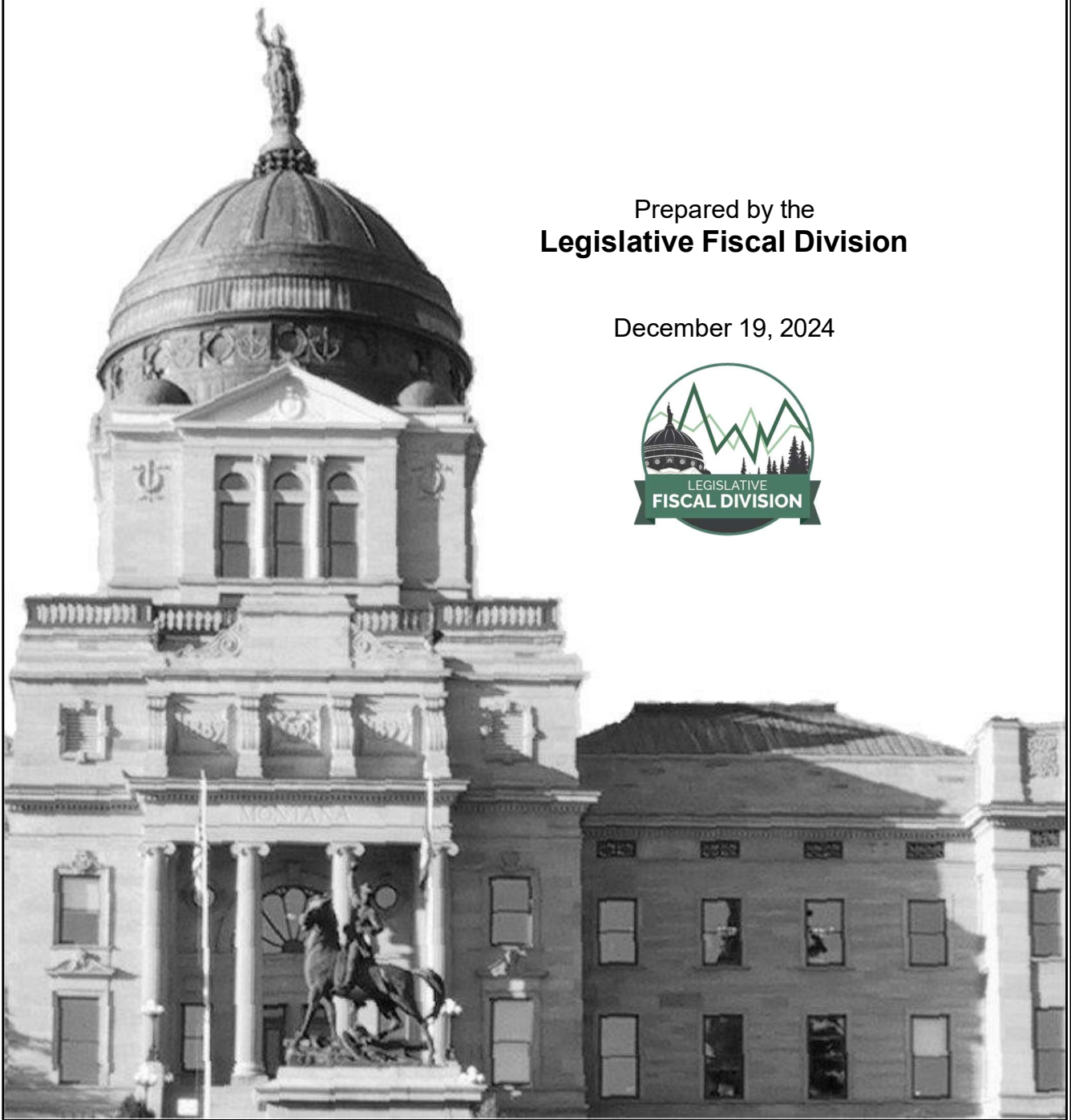


# Revenue Estimate as Adopted

*Fiscal Years 2025, 2026 and 2027*

Prepared by the  
**Legislative Fiscal Division**

December 19, 2024



# Revenue Interim Committee

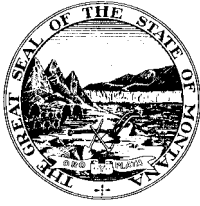
Senator Becky Bear —Chair  
Senator Greg Hertz  
Senator Jeremy Trebas  
Senator Shannon O'Brien

Representative Mark Thane —Vice Chair  
Representative Larry Brewster  
Representative Paul Fielder  
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# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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**Director**  
AMY CARLSON

November 18, 2024

Members of the Revenue Interim Committee (RIC):

In accordance with the provisions of [5-12-302, MCA](#), I am submitting electronically the Legislative Fiscal Division revenue estimate recommendations for the fiscal years 2025, 2026, and 2027. I am providing this information in advance of the November 18<sup>th</sup> RIC meeting to provide an opportunity for committee members to study the estimates and assumptions used in developing the estimates.

This report provides a profile of each major general fund revenue source, with specific detail on the methodology and assumptions used to develop these recommendations. Please note that in addition to the general fund components, the LFD report also contains recommendations for some specific non-general fund revenue sources that are significant in the development of the state budget for the 2027 biennium. An abbreviated paper copy summarizing this report will be provided during the committee meeting.

We believe this document and the process outlined above will serve as an effective tool as you carry out your statutory responsibility to develop revenue estimates for the 2025 legislative session. My staff and I look forward to assisting in this task.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Amy Carlson".

Amy Carlson  
Legislative Fiscal Analyst

Attachments

# Revenue Estimates

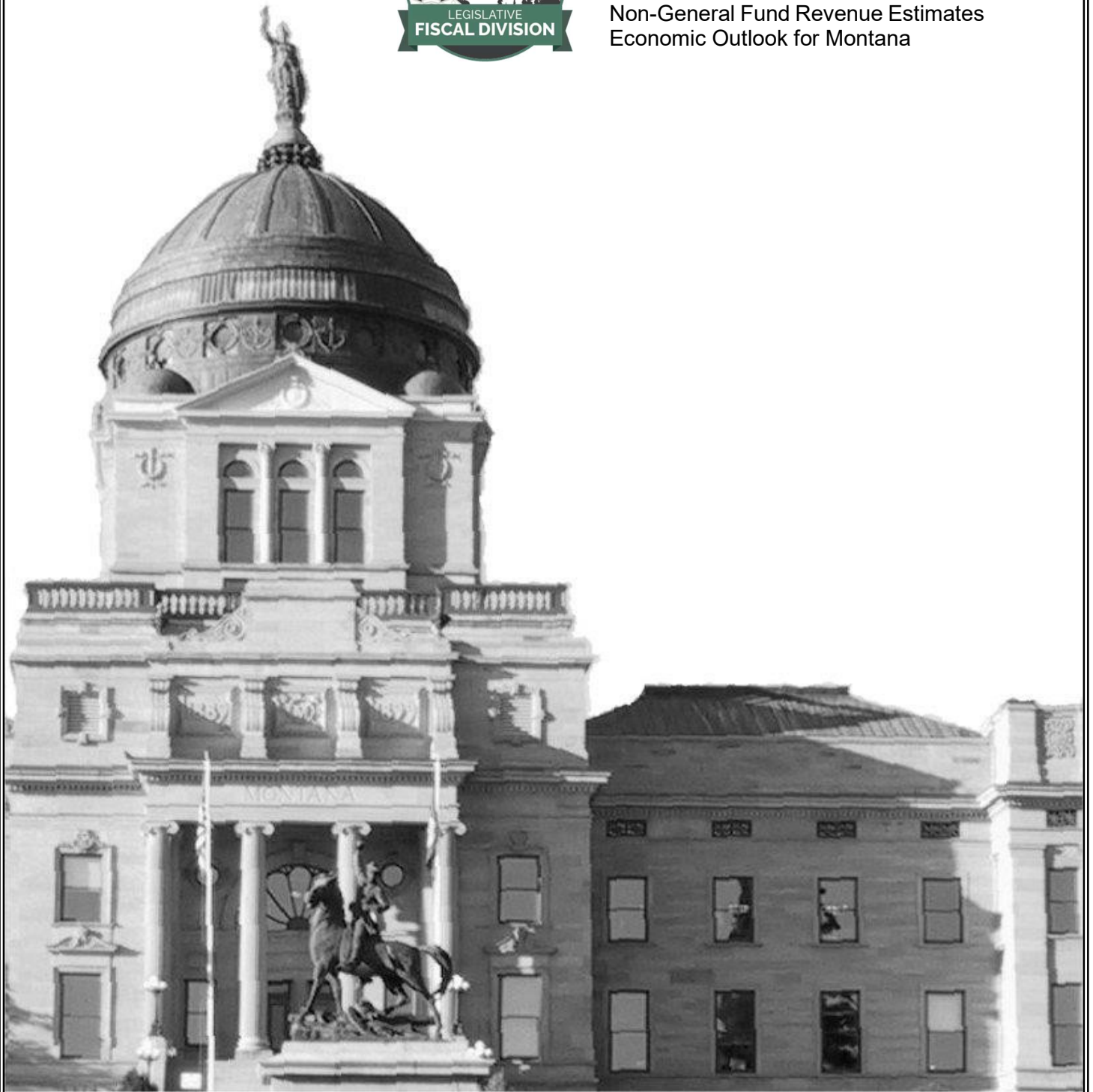
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# OVERVIEW



Purpose of the Report  
History  
General Fund Revenue Estimates  
Non-General Fund Revenue Estimates  
Economic Outlook for Montana



## Overview

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### Purpose of the Report

As delineated in [5-5-227\(2\)\(a\), MCA](#), the Revenue Interim Committee (RIC) is required to prepare an estimate of the amount of revenue projected to be available for legislative appropriation. In addition, [5-12-302](#), MCA specifically requires the Legislative Fiscal Analyst (LFA) to estimate revenue from existing and proposed taxes and also requires the LFA to assist RIC in performing its revenue estimating duties.

The purpose of this report is to document the Legislative Fiscal Division (LFD) recommendations for anticipated revenues for FY 2025 through 2027. In almost all cases, estimates are based on current federal and state laws and do not include estimates for revenues due to litigation or any other pending legal issues. This position is consistent with past recommendations to RIC.

### History

In 1989, the Montana Legislature established a process for the Legislature to develop revenue estimates for legislative appropriation. SB 341 (1989 Session) directed the then-Revenue Oversight Committee to prepare the revenue estimates. The legislation also provided that the revenue estimating resolution introduced by the Committee and subsequent periodic reports issued by the Committee constitute the Legislature's current revenue estimate until final adoption of the resolution by both houses of the Legislature.

In 1991, the Legislature revised the procedures of estimating revenue by inserting the language that is now contained in [5-5-227\(2\)\(a\) and \(3\), MCA](#), including the language that the Committee's revenue estimates and underlying assumptions should be used by state agencies in the preparation of fiscal notes (Chapter 603, Laws 1991).

Because of disparities in the revenue estimates between the LFD and the Department of Revenue (DOR) during the 1997 session, House leadership requested that the Revenue Oversight Committee work with LFD and DOR to develop a process to resolve differences in revenue estimates before the 1999 legislative session.

### Recent Process

In 1999, the Legislature revised the structure of interim committees and assigned the revenue estimating responsibilities to Revenue & Transportation Interim Committee (RTIC) (Chapter 19, Laws 1999). Since then, the RTIC has adopted the revenue estimates in November of the year preceeding the next regular session. As a practical matter, the Committee cannot adopt the estimates much earlier than mid-November because the DOR income tax data is not available until November 1 (October 15 is the general deadline for taxpayers who requested an extension of time for filing an income tax return).

Staff of the LFD and the Governor's Office of Budget and Program Planning (OBPP) each present assumptions and corresponding revenue estimates for the Committee's consideration. In the past, the committee has initially adopted the revenue estimates of the LFD and may make changes to those estimates based on information presented by OBPP, economists from the Montana university system, and other experts.

Finally, the resolution containing the Committee's revenue estimates must be pre-introduced by December 15th (see Rules of the Montana Legislature, Joint Rules 40-40(5)(a)). The Committee's estimate, as introduced in the Legislature, constitutes the Legislature's current revenue estimate until amended or until final adoption of the estimate by both houses.

### Path through the Legislature

In March 2011, the House Taxation committee amended HJR 2 and adopted a committee report. The resolution was referred to the committee, where it died in process.



## **Overview**

In November 2012, RTIC met to review and adopt a revenue estimate recommendation but were unable to agree on the estimate. Therefore, the committee did not introduce a resolution with the Committee's estimate. The Rules Committee subsequently met and adopted rules for the 63<sup>rd</sup> Legislative Session, including a requirement that the chair of the Senate Taxation Committee prepare a revenue estimate to be introduced in the Senate. The estimate contained in SJR 2, along with an initial set of amendments passed both houses by early February 2013. A revised estimate contained in SJR 27 was introduced in early April; however, due to missing the transmittal deadline for revenue bills, it ultimately failed to pass both houses.

In November 2014, RTIC met to review and adopt a revenue estimate recommendation. The OBPP recommendation was \$295.4 million above the LFD recommendation. The committee ultimately adopted the LFD recommendations, with total adjustments in individual income tax and oil & natural gas tax equal to half of the total difference between the OBPP and LFD recommendations for individual income tax, corporation income tax, and oil & natural gas tax.

In January 2015, OBPP and LFD presented updated revenue estimates to a joint meeting of the House and Senate Tax Committees. At this time, the OBPP estimate was above the LFD estimate by \$358.6 million. The two tax committees formed a joint subcommittee to understand the revenue estimates and the corresponding differences in more detail and make a recommendation to the House Tax Committee. The joint subcommittee met weekly throughout February and March, and ultimately made a recommendation to the House Tax Committee based on the LFD estimate, with a variety of alternative assumptions that increased the three-year estimate to \$232 million above the LFD estimate.

OBPP presented a revenue estimate recommendation to the November 2016 meeting of RTIC that was below the LFD recommendation by \$40.6 million to the three-year forecast. The committee adopted LFD assumptions, but included a general fund adjustment to each source so that the overall amount was equal to the OBPP estimate. In April, the House Taxation Committee amended HJR 2 based on the LFD March updated recommendation and adopted a committee report. The resolution was rereferred to the Committee, where it died in process.

In November 2018, RTIC heard the revenue estimate recommendations from OBPP and LFD, which were quite close: the OBPP recommendation was \$46.3 million or 0.6% below LFD over the three-year forecast. The committee adopted the LFD estimate and corresponding assumptions, with an adjustment in corporate tax that essentially resulted in an average of the two estimate recommendations. The RTIC revenue estimate was incorporated into HJ 2 as the official revenue estimate of the legislature for the beginning of the session.

In November 2020, RIC heard the revenue estimate from both OBPP and the LFD. The revenue estimates were quite close, as the LFD estimate was only \$65.7 million, or 0.9% greater than the OBPP estimate over the three-year forecast. Ultimately, the committee adopted the LFD estimate and corresponding assumptions. The adopted estimate was established as HJ 2 as the official revenue estimate of the legislature for the beginning of the session.

In November 2022, RIC heard revenue estimate recommendations from both OBPP and the LFD. The two offices provided estimates that were close to one another, differing by \$101.7 million or 0.9% over the three-year period. Ultimately, the committee adopted the LFD recommendation, which was established as HJ 2 as the official revenue estimate used during the 2023 Legislative Session.

In November 2024, RIC heard revenue estimate recommendations from both OBPP and the LFD. The two offices provided general revenue estimates that were close to one another, differing by \$217.9 million or 1.8 % over the three-year period. Ultimately, RIC adopted an estimate that was \$108 million below the LFD recommendation over the three-year period.

## Overview

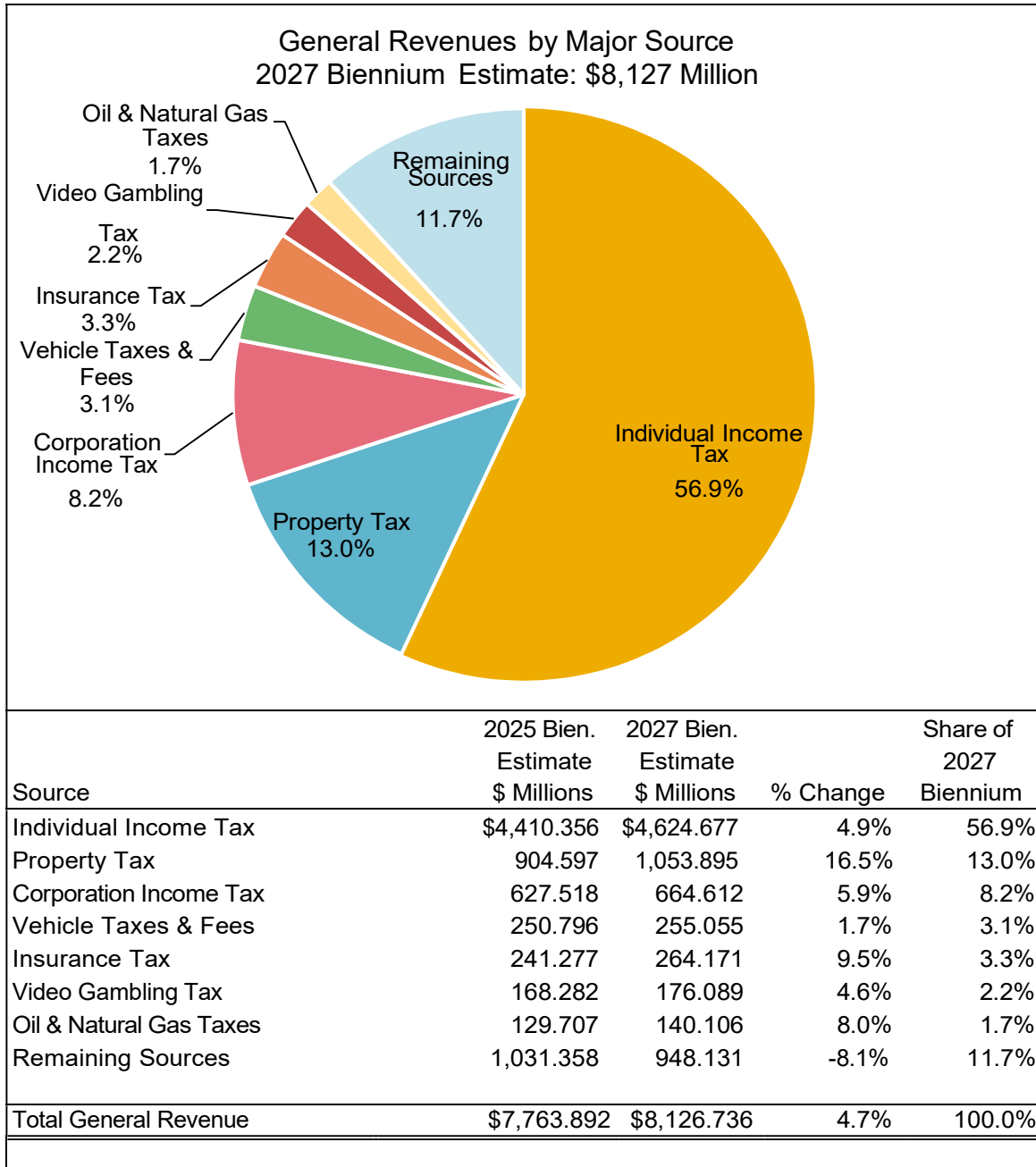
### General Revenue Estimate

The table below shows the adopted **general revenue (general fund revenue, the state-levied 95 mills, and treasury cash interest)** estimate. Actual FY 2024 collections are shown, along with projections for FY 2025 through 2027. The one-time-only revenues are primarily a portion of treasury cash interest that is not projected to be ongoing.

General Revenue HJ 2 Estimate as Adopted by RIC (\$ Millions)						
Source of Revenue	Actual FY 2024	Estimated FY 2025	Estimated FY 2026	Estimated FY 2027	Estimated 2025 Bien	Estimated 2027 Bien
<b>Largest Seven Sources</b>						
Individual Income Tax	\$2,243.946	\$2,166.409	\$2,284.365	\$2,340.312	\$4,410.356	\$4,624.677
Property Tax (General Fund)	17.222	14.938	13.334	12.605	32.160	25.939
Property Tax (School Equalization)	430.813	441.624	511.558	516.397	872.437	1,027.956
Corporate Income Tax	312.276	315.242	326.217	338.396	627.518	664.612
Vehicle Taxes & Fees	124.840	125.956	127.007	128.048	250.796	255.055
Oil & Natural Gas Production Tax	64.405	65.302	69.156	70.950	129.707	140.106
Insurance Tax & License Fees	115.075	126.202	129.818	134.354	241.277	264.171
Video Gambling Tax	83.385	84.897	86.903	89.186	168.282	176.089
<b>Other Business Taxes</b>						
Driver's License Fee	5.772	5.772	5.826	5.880	11.544	11.706
Investment License Fee	21.042	21.696	22.309	22.849	42.738	45.158
Lodging Taxes	44.750	46.711	48.108	50.080	91.460	98.188
Public Contractors Tax	9.125	5.163	4.812	4.231	14.288	9.043
Railroad Car Tax	3.645	3.920	3.931	4.054	7.565	7.986
Rental Car Sales Tax	6.972	7.827	8.007	8.049	14.799	16.056
Telecommunications Excise Tax	8.139	7.960	7.755	7.550	16.099	15.305
<b>Other Natural Resource Taxes</b>						
Coal Severance Tax	18.181	15.530	14.345	13.366	33.712	27.711
Electrical Energy Tax	4.090	5.603	5.543	5.512	9.693	11.055
Metalliferous Mines Tax	6.573	7.378	6.935	6.968	13.951	13.903
US Mineral Royalty	15.655	14.832	14.133	13.446	30.487	27.579
Wholesale Energy Tax	3.545	3.320	3.292	3.317	6.866	6.609
<b>Other Interest Earnings</b>						
Coal Trust Interest	19.139	19.681	19.827	20.289	38.819	40.116
Treasury Cash Account Interest (SSR until FY 2026)	163.738	138.908	104.283	79.005	302.647	183.288
<b>Other Consumption Taxes</b>						
Beer Tax	2.971	2.980	2.851	2.709	5.951	5.559
Cigarette Tax	20.919	19.658	19.231	18.188	40.578	37.418
Liquor Excise & License Tax	35.443	35.016	36.185	37.974	70.459	74.159
Liquor Profits	7.000	20.900	21.800	23.000	27.900	44.800
Lottery Profits	19.313	20.928	20.152	20.709	40.241	40.860
Marijuana Tax	31.804	32.903	34.380	35.858	64.707	70.238
Tobacco Tax	5.114	5.665	5.390	5.187	10.779	10.577
Wine Tax	2.504	2.558	2.575	2.582	5.061	5.157
<b>Other Sources</b>						
All Other Revenue	54.615	45.569	67.199	46.901	100.184	114.100
Highway Patrol Fines	3.474	3.531	3.531	3.512	7.005	7.043
Nursing Facilities Fee	3.535	3.558	3.609	3.644	7.093	7.253
Public Institution Reimbursements	4.903	5.919	5.927	5.936	10.822	11.863
Tobacco Settlement	2.999	2.910	2.776	2.622	5.909	5.398
<b>Ongoing General Revenue Subtotal</b>	<b>3,809.960</b>	<b>3,764.837</b>	<b>3,974.318</b>	<b>4,061.437</b>	<b>7,574.798</b>	<b>8,035.755</b>
<b>OTO &amp; Transfers Subtotal</b>	<b>106.962</b>	<b>82.132</b>	<b>68.752</b>	<b>22.229</b>	<b>189.094</b>	<b>90.981</b>
<b>Total General Revenues</b>	<b>\$3,916.922</b>	<b>\$3,846.969</b>	<b>\$4,043.071</b>	<b>\$4,083.665</b>	<b>\$7,763.892</b>	<b>\$8,126.736</b>
<b>Ongoing General Revenue Growth</b>		-1.2%	5.6%	2.2%		6.1%

## Overview

General revenues in the 2027 biennium, which include the school equalization mills and interest on the treasury cash, are projected to increase 4.7% over the 2025 biennium projection. As shown in the pie chart below, the largest seven revenue sources are anticipated to account for approximately 88% of general revenues in the 2027 biennium. Since 2005, these sources have on average accounted for 85% of general fund revenue. **Note that the figure below includes one-time-only revenues, whereas the previous table shows ongoing revenue growth rates.**



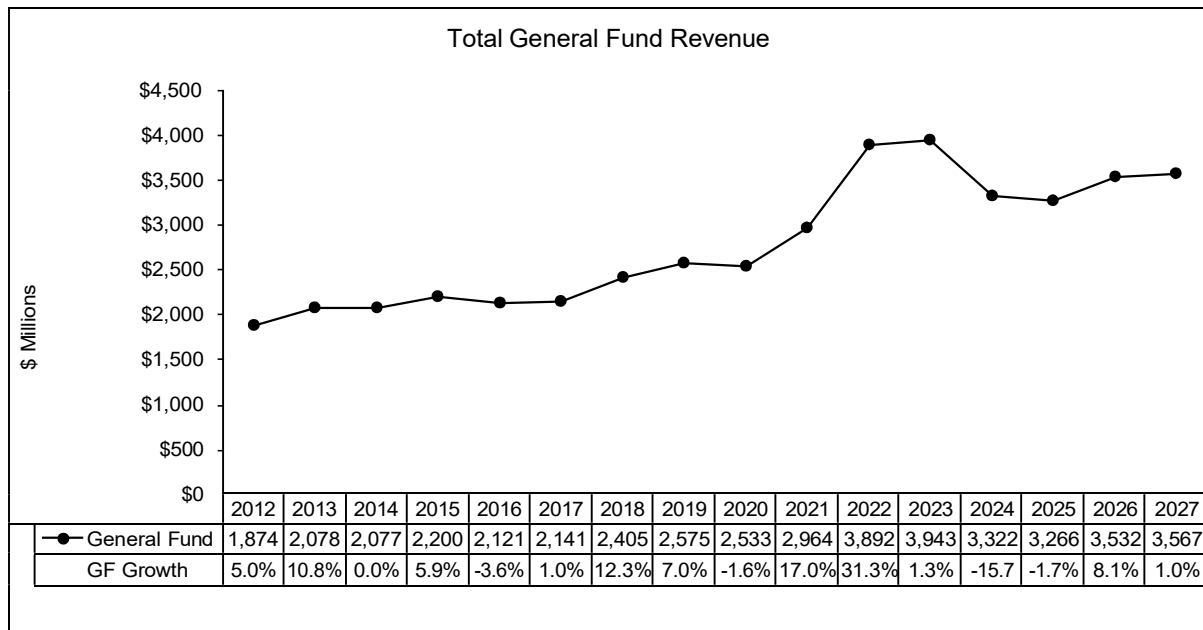
## Overview

### General Fund History and Adopted Estimate

The table and graph below show actual total general fund collections from FY 2012 to FY 2024 and includes the adopted HJ 2 estimate for FY 2025 through FY 2027. This differs from the previous table, which includes the state levied 95 mills, and TCA interest earnings. TCA interest earnings don't revert to the general fund until FY 2026.

General Fund HJ 2 Adopted Estimate (\$ Millions)						
Source of Revenue	Actual FY 2024	Estimated FY 2025	Estimated FY 2026	Estimated FY 2027	Estimated 2025 Bien	Estimated 2027 Bien
<b>Largest Six Sources &amp; Remaining Sources</b>						
Individual Income Tax	\$2,243.946	\$2,166.409	\$2,284.365	\$2,340.312	\$4,410.356	\$4,624.677
Corporate Income Tax	312.276	315.242	326.217	338.396	627.518	664.612
Vehicle Taxes & Fees	124.840	125.956	127.007	128.048	250.796	255.055
Oil & Natural Gas Production Tax	64.405	65.302	69.156	70.950	129.707	140.106
Insurance Tax & License Fees	115.075	126.202	129.818	134.354	241.277	264.171
Video Gambling Tax	83.385	84.897	86.903	89.186	168.282	176.089
Remaining Sources	378.444	382.428	508.047	466.023	760.872	974.070
Ongoing General Fund Subtotal	3,322.371	3,266.437	3,462.760	3,545.039	6,588.808	7,007.799
OTO & Transfers Subtotal			68.752	22.229	-	90.981
<b>Total General Fund</b>	<b>\$3,322.371</b>	<b>\$3,266.437</b>	<b>\$3,531.512</b>	<b>\$3,567.268</b>	<b>\$6,588.808</b>	<b>\$7,098.780</b>
Ongoing General Fund Growth		-1.7%	6.0%	2.4%		6.4%

The graph below shows total general fund revenue, including both ongoing and one-time-only revenue, as well as the total growth. **The growth rates above show ongoing growth, so they differ from the figures in the graph below.**



## Overview

### Select Non-General Fund Revenue Estimates

The adopted estimate for selected non-general fund revenue sources is shown in the table below. These estimates are included because of their importance in the budgeting process.

Selected Non-General Revenue Estimates Summary (\$ Millions)						
Source of Revenue	Actual FY 2024	Estimated FY 2025	Estimated FY 2026	Estimated FY 2027	Estimated 2025 Bien	Estimated 2027 Bien
Property Tax: 6 Mill	\$29.643	\$29.925	\$34.087	\$34.336	\$59.568	\$68.423
Natural Resource Taxes						
Federal Forest Receipts	13.397	4.682	4.802	4.958	18.079	9.760
Resource Indemnity Tax	5.198	4.425	3.562	3.132	9.623	6.694
Interest Earnings						
Capital Land Grant Interest and Income	4.343	1.649	1.507	1.446	5.992	2.953
Common School Interest and Income	59.473	55.032	57.702	60.635	114.505	118.337
Conservation Districts Trust	0.303	1.262	2.055	2.899	1.566	4.954
Cultural Trust Interest	0.648	0.652	0.682	0.717	1.300	1.399
Deaf & Blind Interest and Income	0.327	0.363	0.387	0.424	0.690	0.811
Economic Development Trust	6.176	6.460	6.775	7.156	12.636	13.930
Montana Coal Endowment Trust	12.036	11.550	11.854	12.223	23.586	24.077
Montana Coal Regional Water Trust	4.018	3.628	3.801	3.990	7.646	7.791
Parks Trust Interest	1.206	1.203	1.248	1.304	2.409	2.553
Pine Hills Interest and Income	0.455	0.442	0.464	0.475	0.897	0.939
RIT Trust Interest	4.096	3.811	4.011	4.221	7.908	8.232
School Facilities Trust	8.066	8.733	9.076	9.598	16.799	18.674
Tobacco Trust Interest	12.445	12.585	13.721	14.970	25.031	28.690
Consumption Taxes						
Diesel Tax	91.432	93.908	94.980	96.675	185.340	191.655
Gasoline Tax	195.654	195.796	199.208	202.815	391.450	402.023
GVW and Other Fees	41.604	41.599	42.794	43.968	83.203	86.762
<b>Total Selected Non-General Fund</b>	<b>\$490.520</b>	<b>\$477.706</b>	<b>\$492.715</b>	<b>\$505.941</b>	<b>\$968.226</b>	<b>\$998.656</b>

## Overview

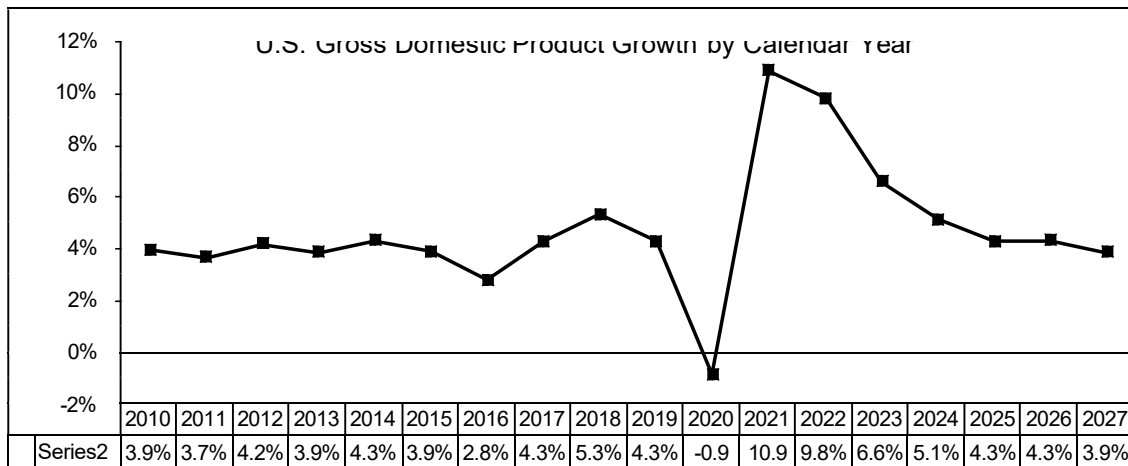
### Economic Outlook for Montana

This section highlights a few of the key national and state-specific economic variables that are used in the revenue estimate. The forecasts for each of these economic indicators—and many others that are also used in the revenue estimate—are provided by S&P Global.

#### U.S. Economic Indicators

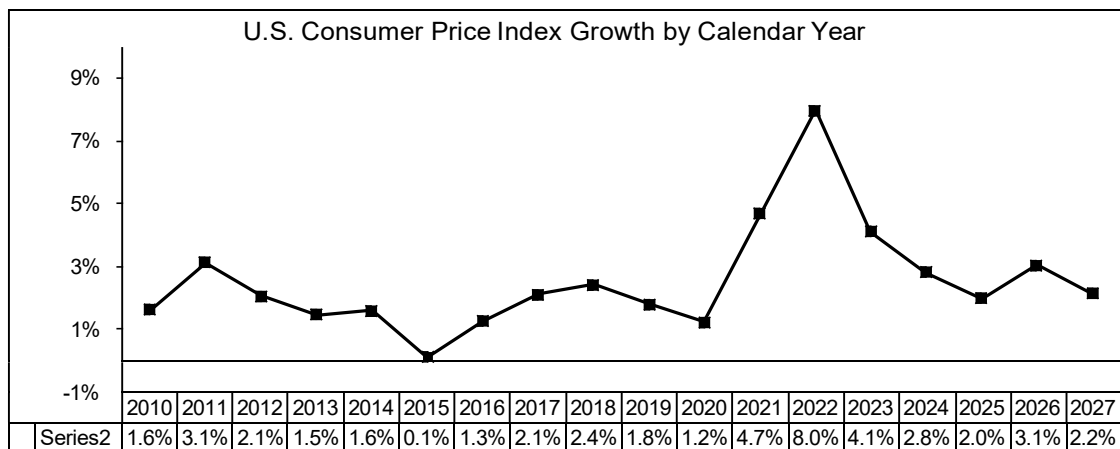
##### Gross Domestic Product (GDP)

GDP is one of the most comprehensive national economic statistics. As noted by the Bureau of Economic Analysis (BEA), GDP is used by the White House and Congress to prepare the Federal budget, by the Federal Reserve to formulate monetary policy, by Wall Street as an indicator of economic activity, and by the business community to prepare forecasts of economic performance that provide the basis for production, investment, and employment planning.



##### Consumer Price Index (CPI)

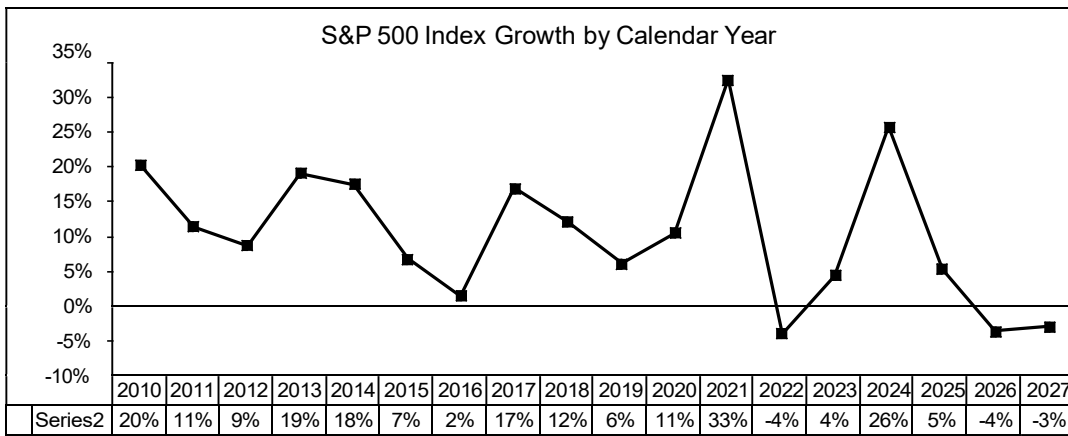
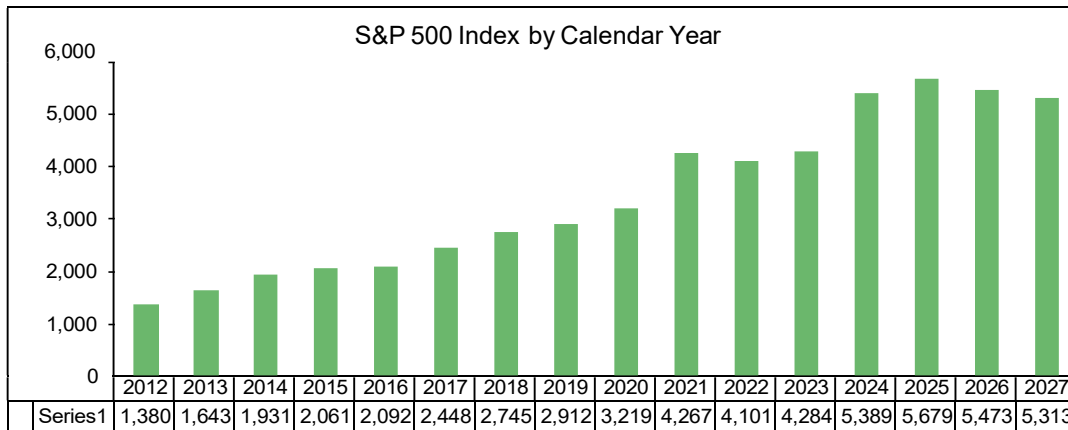
The inflation rate is measured by the price change of the CPI “shopping basket” of goods and services. Inflation is noted to have both good and bad effects. As prices rise, businesses increase prices and tend to become more profitable. At the same time, the consumer realizes a reduction in disposable income and spends less.



##### S&P 500 Stock Market Index

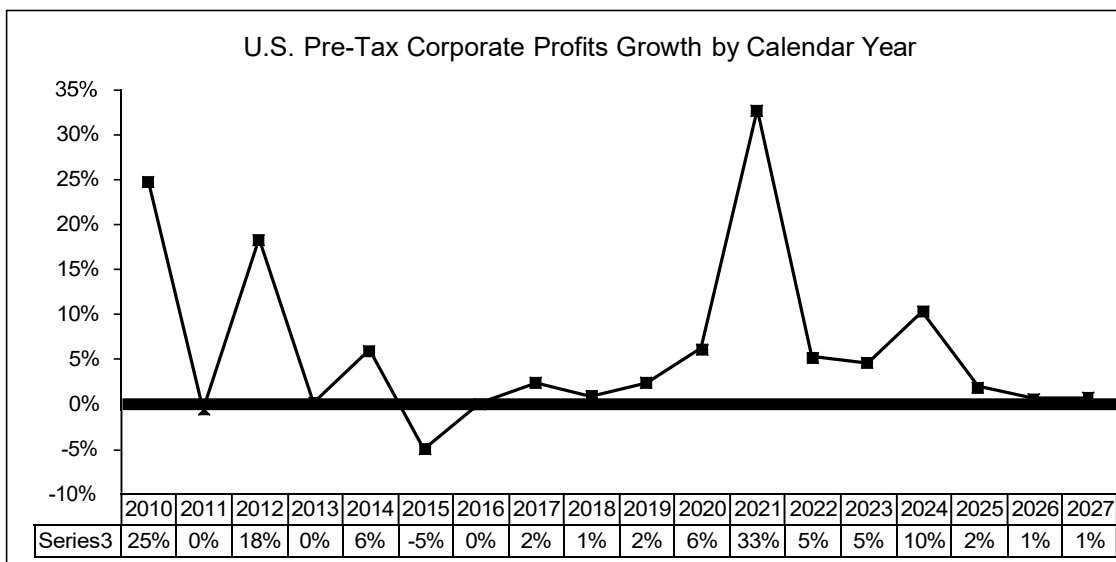
The S&P 500 is a stock market index based on the market capitalizations of 500 large companies. Due to the diversity of companies, it is a broad representation of the U.S. stock market and is a good indicator for investment income.

## Overview



### U.S. Corporate Profits

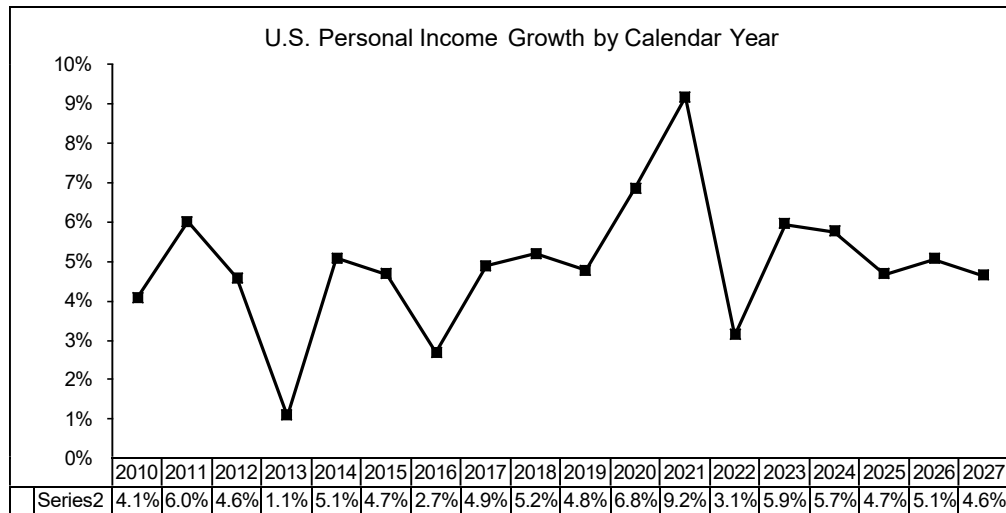
Corporate profitability affects both corporation license tax and individual income tax estimates. When corporations are profitable nationally, there is an expectation that corporations will be profitable in Montana. Additionally, greater corporate profitability is largely responsible for the amount of dividends corporations pay to stockholders as well as the value of equity investments.



## Overview

### *U.S. Personal Income*

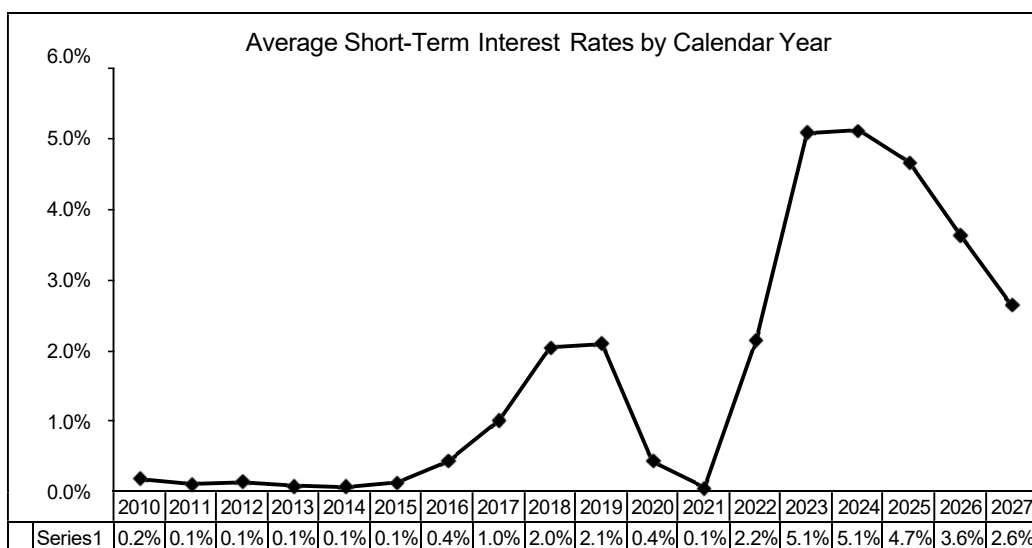
Growth in Montana's tourism industry is related to growth in U.S. personal income. In addition, the outlook for U.S. personal income likely impacts the outlook for Montana personal income.



### *Long & Short Term Interest Rates*

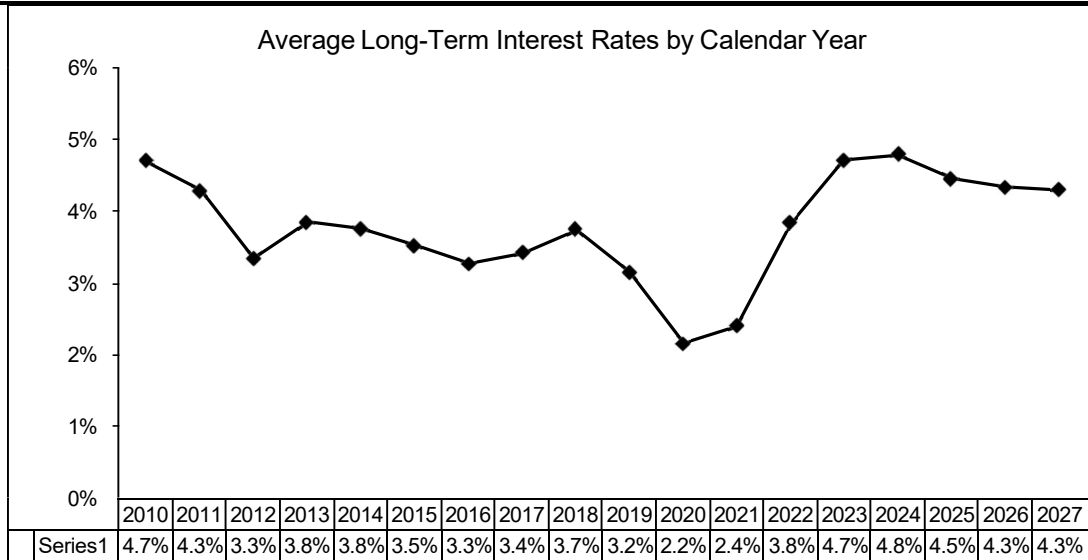
A large portion of Montana's revenues is derived from investment earnings from trust accounts and daily invested cash. Interest rates also affect the amount of investment income that is reported on individual income tax returns. In addition to the state revenue impact, interest rates impact the climate in which consumers and businesses are likely to make investments and large purchases. While low interest rates produce less revenue for Montana's trust and interest holdings, higher income tax earnings might be expected as construction and sales activities increase.

Short-term rates are an average of 3-month corporate paper and 3 and 6-month Treasury bills. Long-term rates are an average of Corporate Aaa and Baa bonds, 10-year Treasury bonds, and 30-year Treasury bonds.





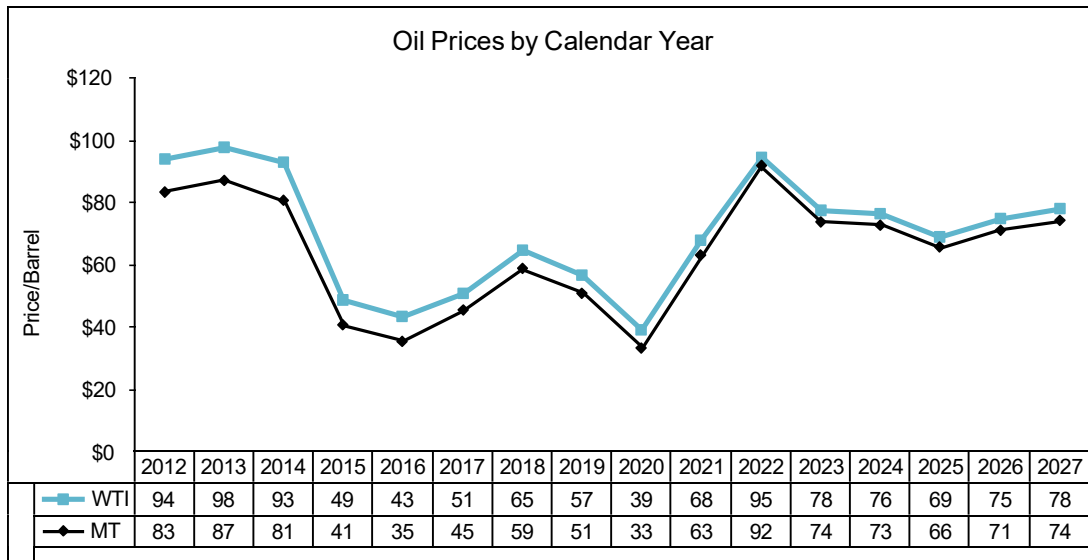
## Overview



### Oil Price: West Texas Intermediate (WTI)

At the national level, lower oil prices tend to correspond with a better economic outlook; manufacturing and transportation costs are lower, and consumers have more income to spend on goods and services. The impact on Montana revenue is more nuanced, however—although overall consumer activity may increase with lower prices, natural resource extraction and related industry activity may also decline, resulting in lower individual, corporation and natural resource tax collections.

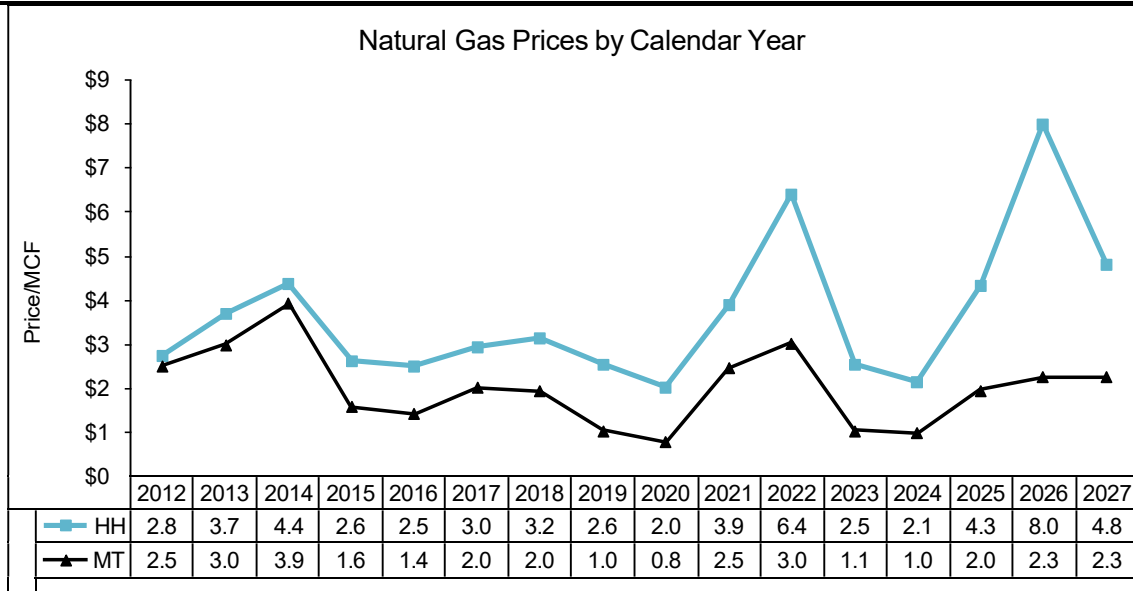
Montana oil price tracks closely with WTI, with an approximate 12% reduction to account for transportation costs.



### Natural Gas Price: Henry Hub

Montana natural gas price tracks the national Henry Hub price, with an average 37% deduction for transportation costs.

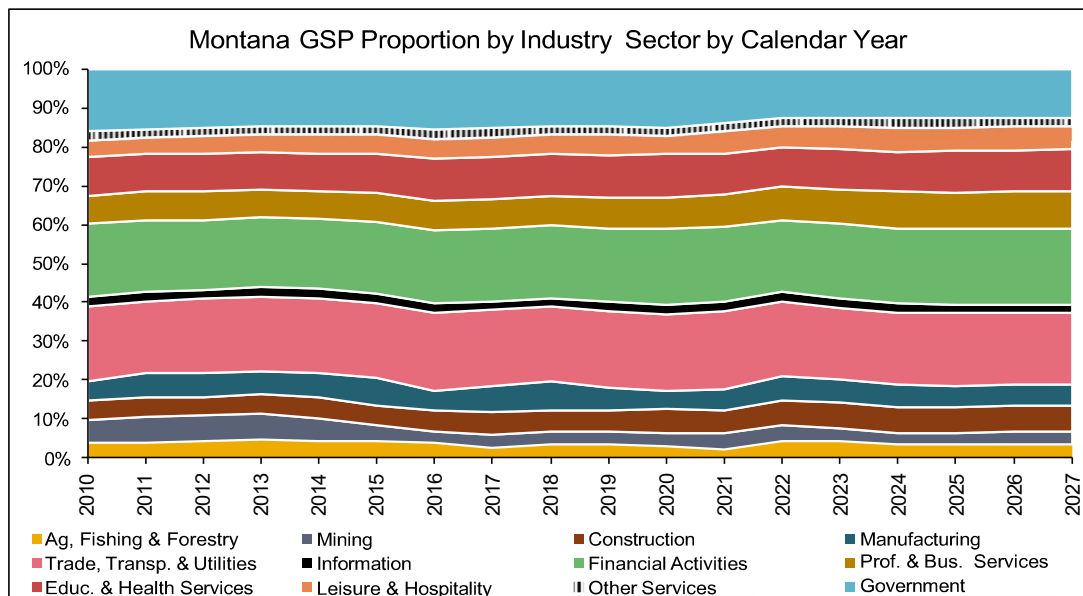
## Overview



## Montana Economic Indicators

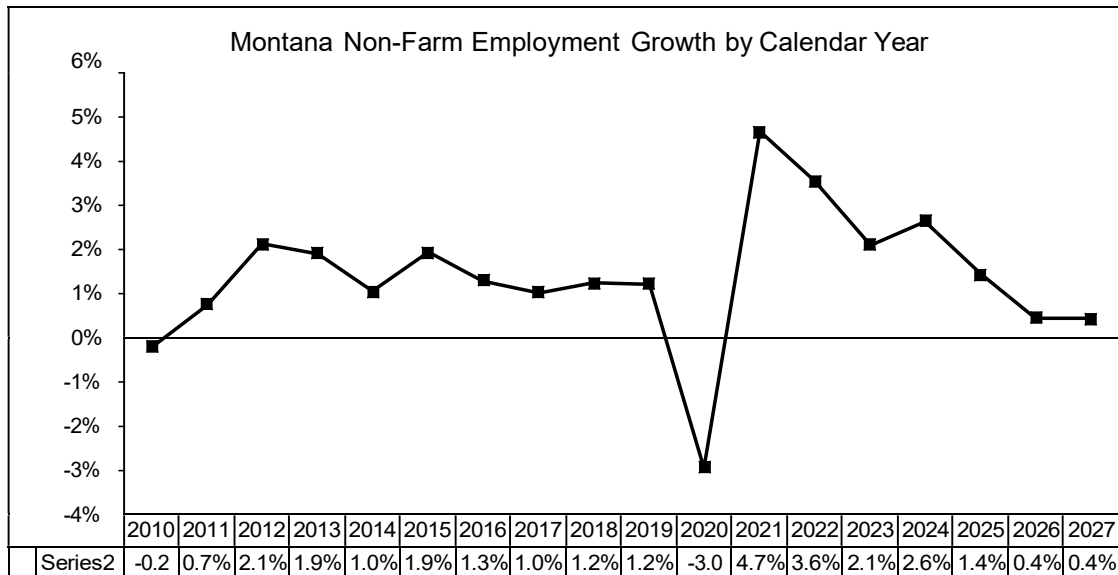
### Gross State Product (GSP)

All broad industry categories as measured by GSP grew between CY 2000 and CY 2015, the last year of actual data, although most didn't change significantly as a share of the total, as indicated in the next graph. Just over half of GSP is due to three industry super sectors: trade, transportation & utilities; financial activities (which includes real estate); and government. Mining, including oil extraction and related activities, grew as a share of total GSP after CY 2004, but is expected to return to a pre-2004 share of GSP in the forecast period.



## Overview

### Employment



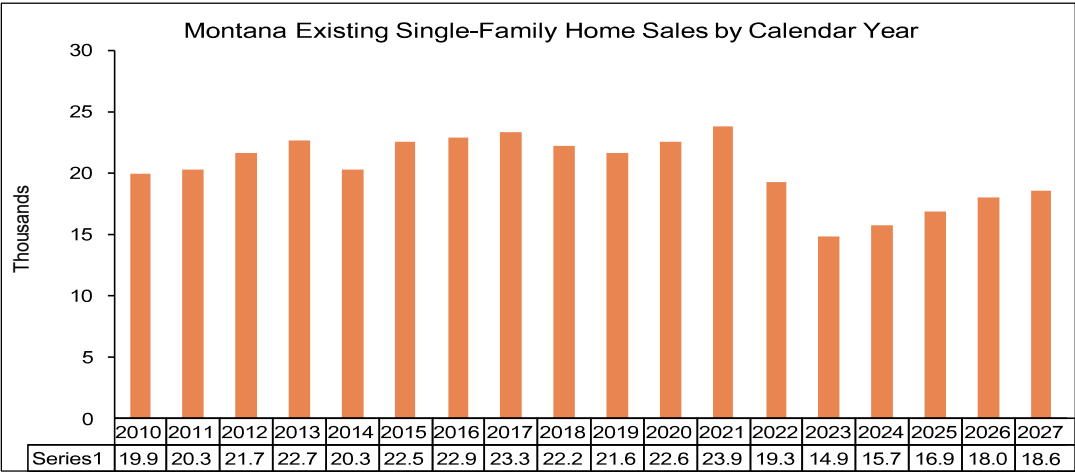
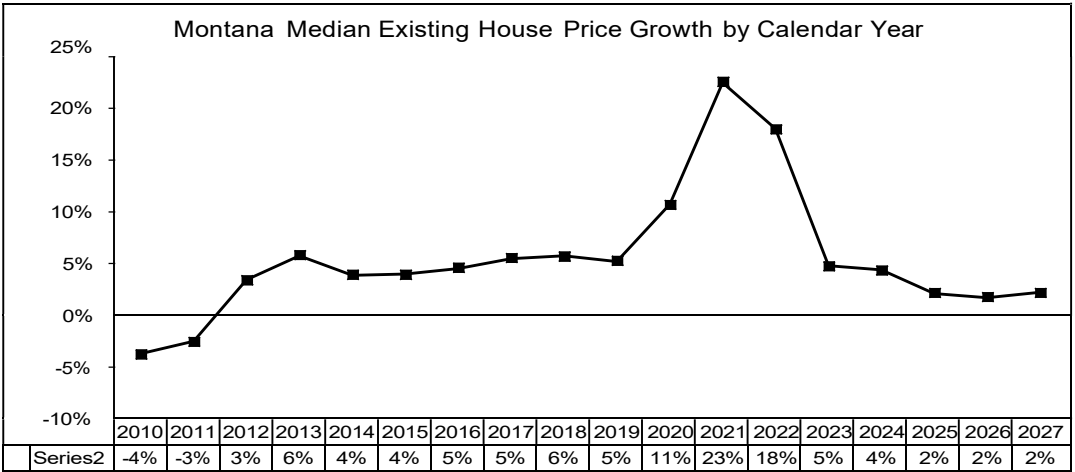
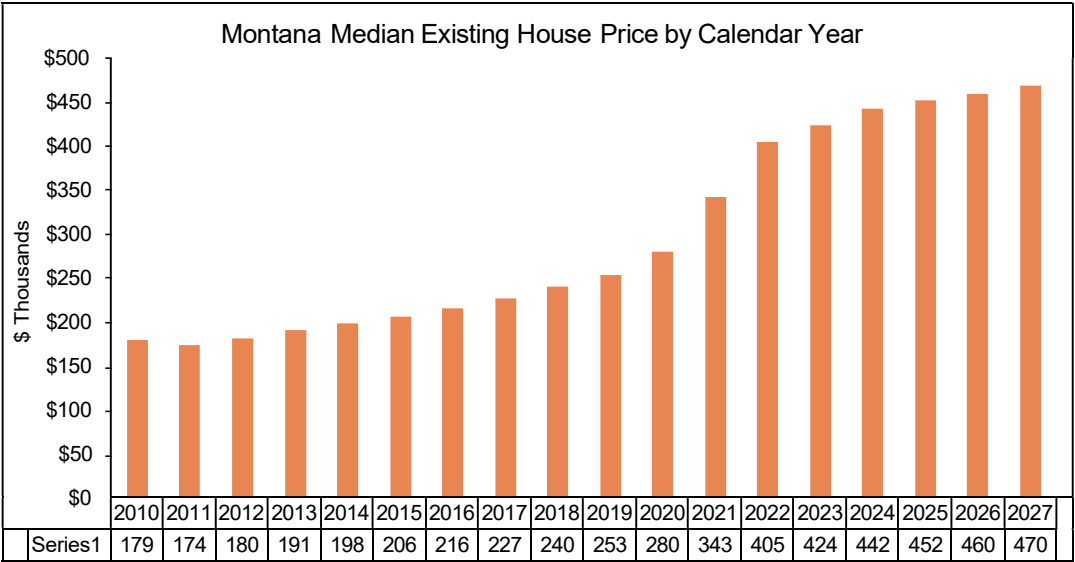
### Wages

Wage income accounts for nearly two-thirds of individual income, and individual income tax accounts for over half of general fund revenue. Although wage income is not as volatile as several other income or revenue sources, even small changes in the outlook for wage income can produce large swings in the revenue estimate. The S&P Global wage disbursements variable for Montana is probably the single most important underlying indicator in the entire general fund revenue estimate.

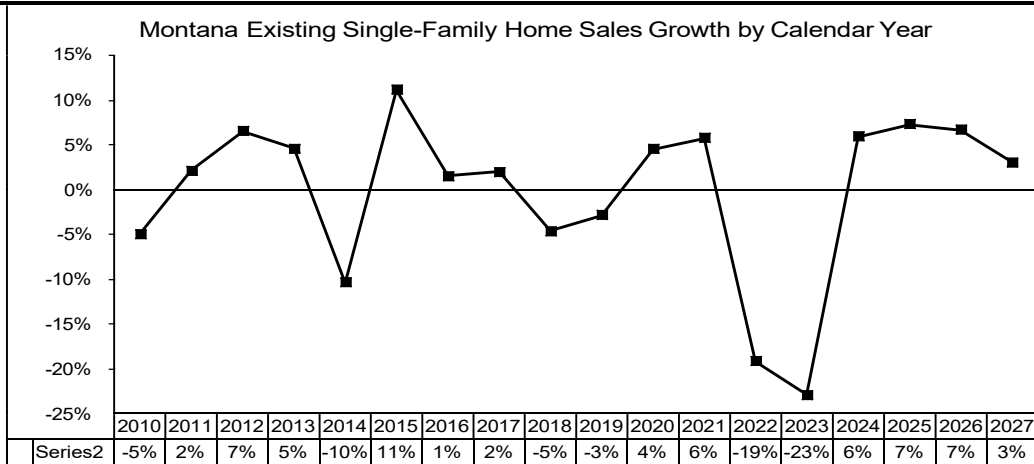


### Housing

The health of the housing market can be measured by median house price and annual sales. Housing is an important—and leading—measure of economic activity: it drives construction and related industry growth and reflects household formation and asset accumulation. Housing indicators are used in the individual and corporation income tax estimates.

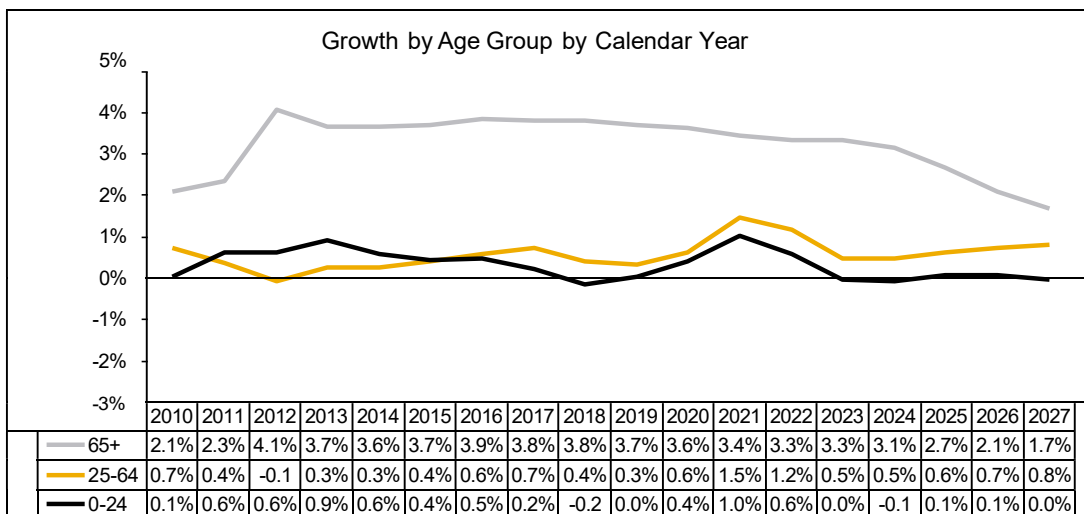
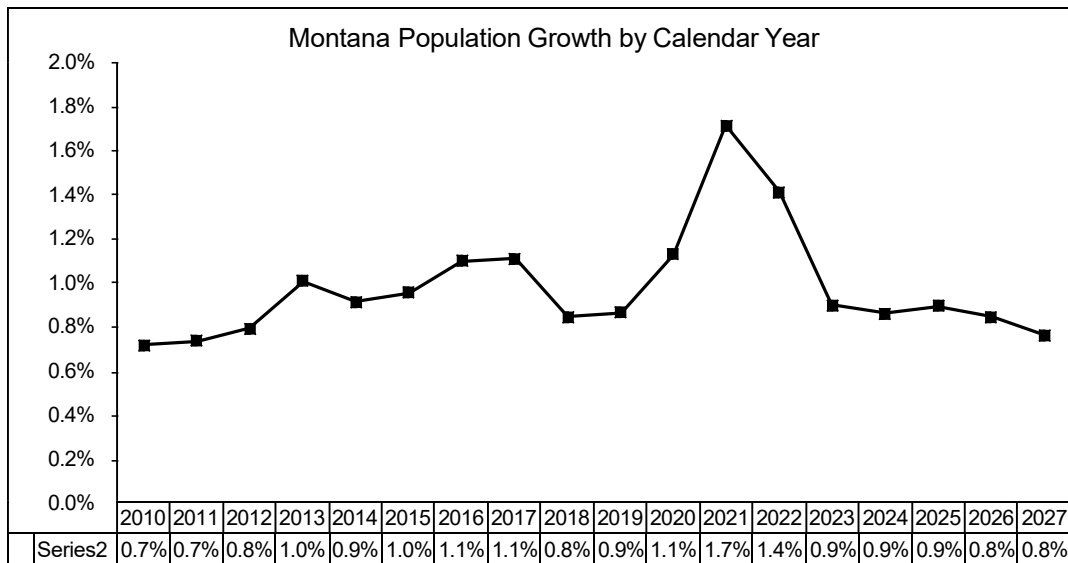


## Overview



## Population

Population statistics are used to develop estimates for many of the revenue sources including beer, wine, liquor, and cigarette taxes. In addition to those sources where population has a direct effect, the size of the population indirectly affects the profitability of all businesses and the employment levels statewide.



## **Overview**

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### **Summary**

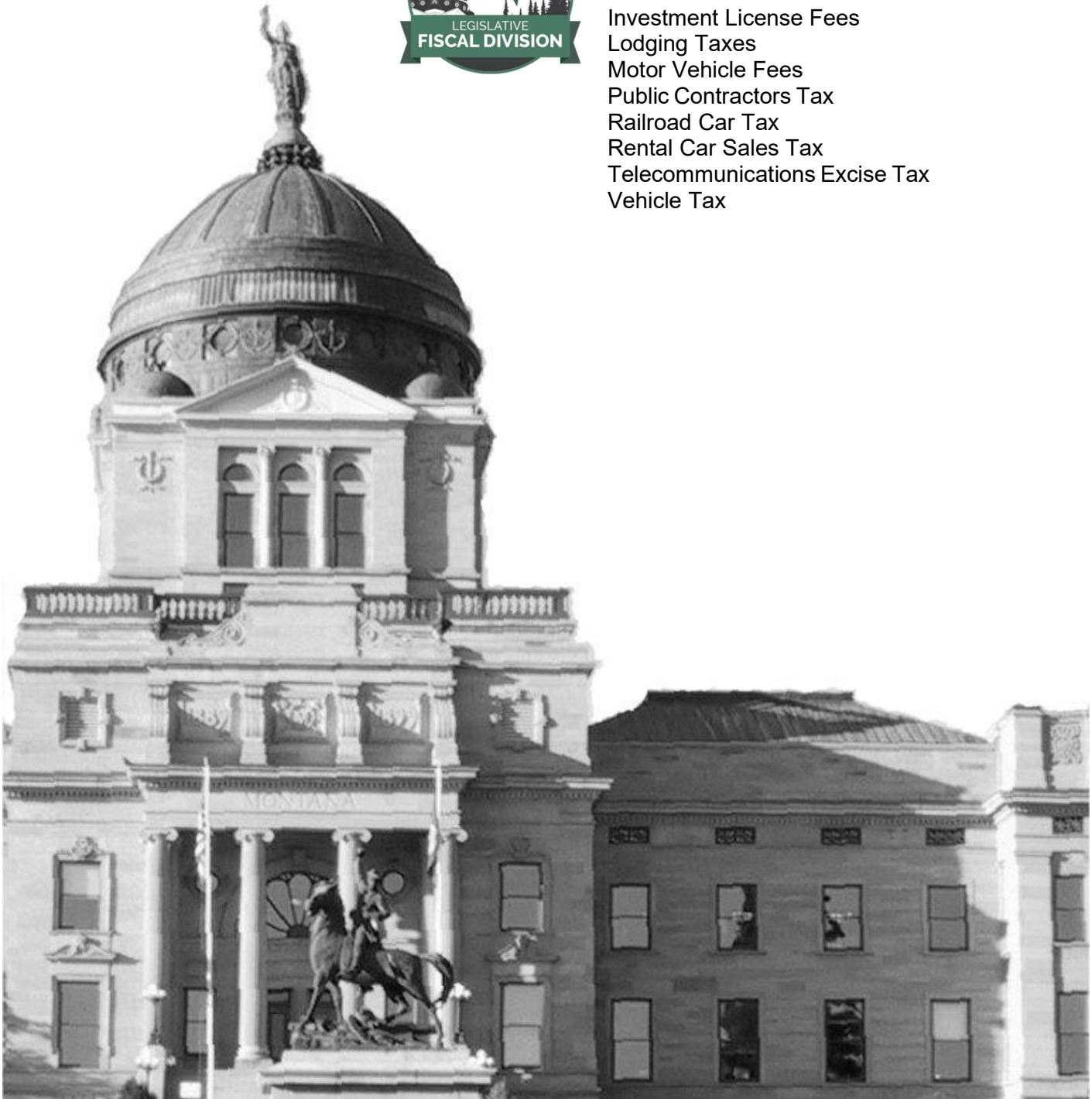
A complete summary of each general fund and selected non-general fund revenue sources follows. Each summary provides information on the source of revenue including a description, the applicable tax or fee rates, and distribution mechanisms.

Throughout the document, the state accounting system—Statewide Accounting, Budgeting and Human Resources System—is referred to only by its acronym, SABHRS. Likewise, the Department of Revenue is simply referred to as DOR.

# 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



## Corporate Income Tax

### Revenue Description

The corporate 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
- Taxpayer behavior

### Revenue Estimate Methodology

#### Data

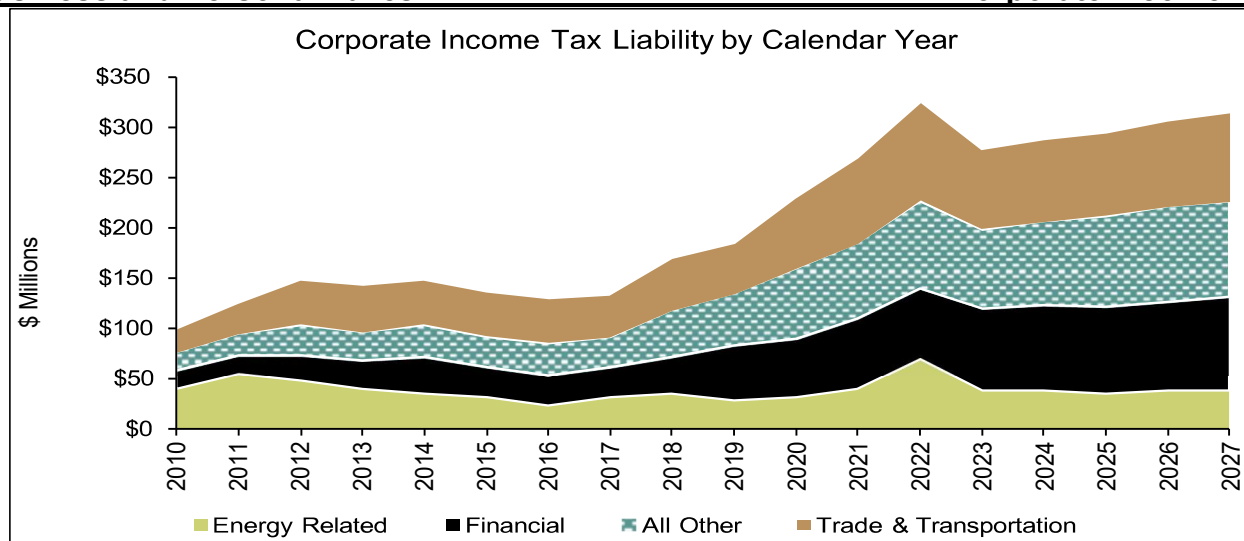
The estimate for this source is based on collection data from SABHRS, corporate income tax return data from DOR, and various historical and forecast economic indicators from S&P Global. The return data is lagged by nearly two years for two main reasons: each tax year includes all returns from corporations 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 S&P Global 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 professional services. 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, and penalties.

As shown in the figure below, energy related sectors had 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. In the last five years however, there has been significant growth in the financial and professional sectors, while the energy sector has remained relatively flat.





Corporate 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 corporate 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 S&P Global forecast economic variables, and in the model itself as past collections are not predicted perfectly by selected S&P Global 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 S&P Global 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 corporate 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 S&P Global 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 (16%): 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 S&P Global 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.

## **Business and Personal Taxes**

## **Corporate Income Tax**

- Wholesale and retail trade (17%): this combined sector trends well with Montana retail sales and therefore uses retail sales to predict future sector revenues.
- Mining (1%): this sector is extremely volatile and is modeled using a five-year moving average.
- Professional and business services (13%): 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 three-year moving average along with forecasted growth in employment in the professional sector.
- 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 using a three-year moving average along with S&P Global's estimated growth in Montana transportation GSP.
- Information (6%): 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 three-year moving average.
- Utilities (1%): the utilities sector includes establishments engaged in the provision of electric power, natural gas, steam supply, water supply, and sewage removal. This sector is modeled using a five-year moving average.
- Agriculture (3%): the tax liability of the agriculture sector is modeled on a five-year moving average.
- Social and educational services (2%): this is a broad grouping of educational and health services, and arts, entertainment, and recreation. This sector is modeled using a five-year moving average.
- Construction (2%): along with the utility and mining sector, the construction industry is the one of the smallest contributors to corporation tax liability, likely because most construction companies are organized as S-corps or limited liability companies. Its tax liability is modeled on median home prices and wholesale employment.

Calendar year corporate 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 using a five-year moving average.
- 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 revenue estimates contained in House Joint Resolution 2.

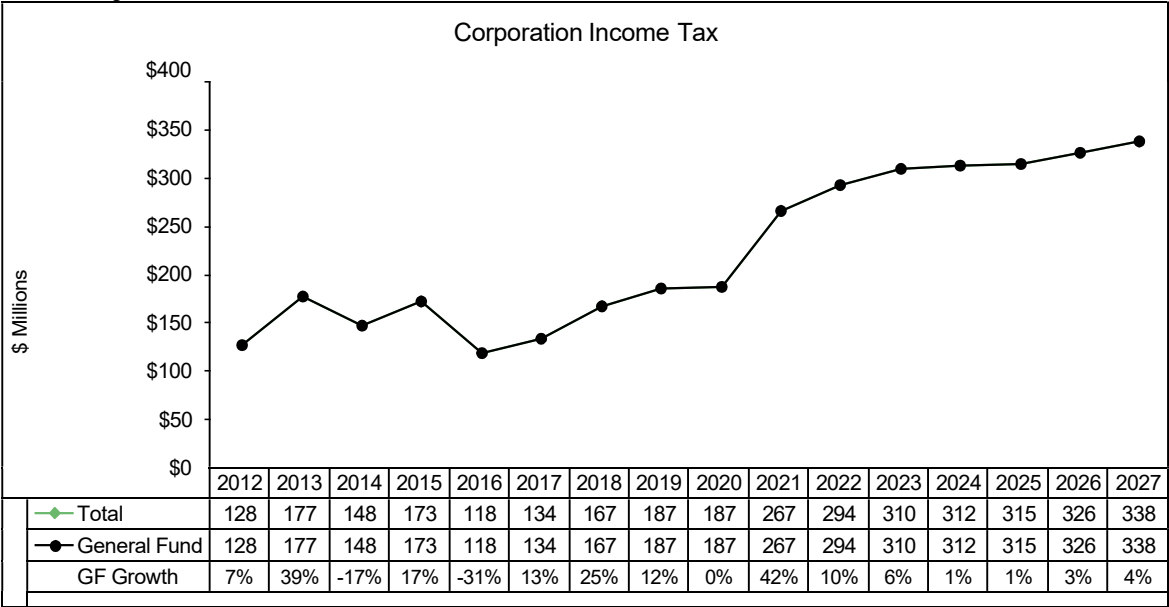
**Business and Personal Taxes**
**Corporate Income Tax**

FY	Total Tax \$ Millions	GF Tax \$ Millions	Total FY Liability \$ Millions	Refunds \$ Millions	Audit, P&I Payments \$ Millions
A 2014	\$147.55	\$147.55	\$158.49	(\$21.71)	\$10.77
A 2015	172.73	172.73	161.93	(17.97)	28.78
A 2016	118.39	118.39	140.28	(31.39)	9.49
A 2017	133.99	133.99	147.69	(25.85)	12.16
A 2018	167.10	167.10	165.47	(24.23)	25.86
A 2019	186.54	186.54	189.90	(16.76)	13.39
A 2020	187.36	187.36	197.41	(20.03)	9.98
A 2021	266.51	266.51	282.82	(26.79)	10.48
A 2022	293.68	293.68	293.53	(20.41)	20.56
A 2023	309.88	309.88	319.62	(29.71)	19.97
A 2024	312.28	312.28	335.90	(36.09)	12.46
F 2025	315.24	315.24	320.17	(26.60)	16.80
F 2026	326.22	326.22	328.21	(27.92)	16.01
F 2027	338.40	338.40	340.02	(28.15)	16.41
F 2028	346.55	346.55	348.89	(29.69)	17.00
F 2029	355.98	355.98	357.59	(29.69)	17.44

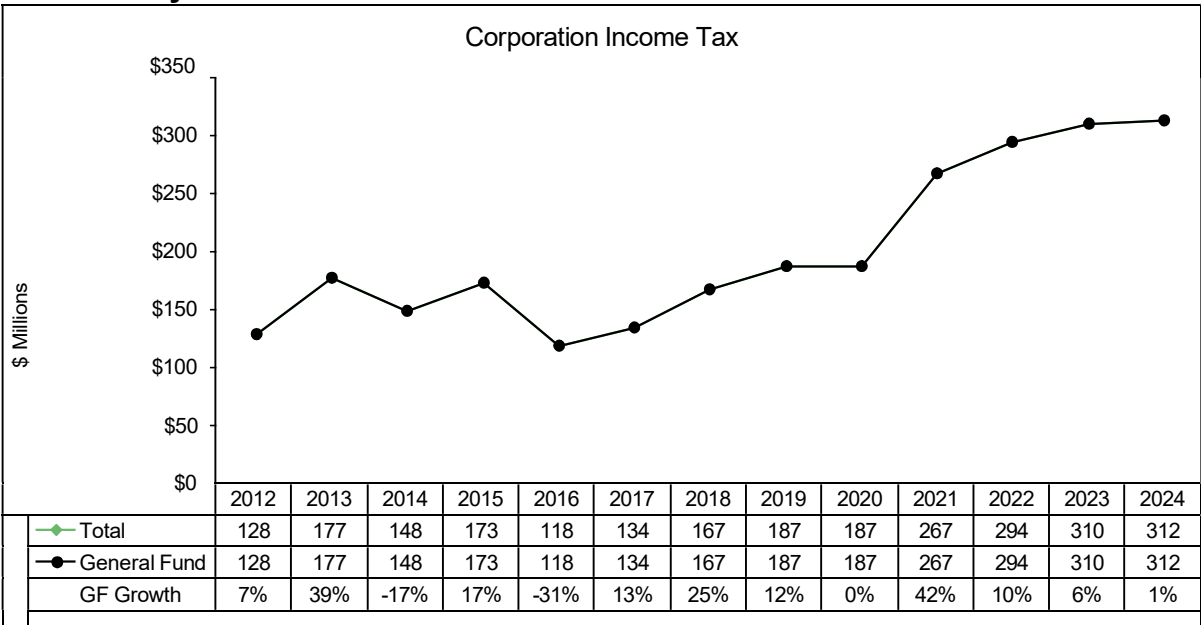
CY	Agriculture \$ Millions	Mining \$ Millions	Utilities \$ Millions	Construction \$ Millions	Manufacture \$ Millions	Trade \$ Millions	Transport \$ Millions
A 2014	\$5.92	\$4.00	\$1.55	\$1.75	\$29.75	\$24.92	\$18.84
A 2015	4.33	1.97	0.79	2.09	28.91	25.63	18.08
A 2016	4.07	2.21	0.37	1.40	20.62	25.61	17.67
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	8.22	3.23	4.10	4.12	35.50	49.43	35.93
A 2022	6.84	3.75	4.27	5.38	65.78	59.66	37.74
F 2023	6.21	2.45	2.98	5.25	35.52	46.34	32.44
F 2024	6.87	2.26	3.18	5.28	34.98	47.34	33.56
F 2025	7.04	2.46	3.47	5.40	31.53	49.45	33.59
F 2026	6.74	2.83	3.60	5.49	34.22	51.98	33.22
F 2027	6.72	2.75	3.50	5.61	35.66	54.49	33.96
F 2028	6.84	2.55	3.35	5.81	36.95	57.02	34.53
F 2029	6.83	2.57	3.42	6.06	37.91	59.49	35.34

CY	Information \$ Millions	Professional \$ Millions	Large Banks \$ Millions	Social \$ Millions	Unknown \$ Millions	Total CY Liability \$ Millions
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	13.59	31.76	71.49	4.22	8.17	269.76
A 2022	21.59	37.40	70.39	2.50	9.24	324.55
F 2023	13.61	41.31	81.68	4.47	4.74	277.02
F 2024	14.22	43.77	85.97	4.54	5.37	287.35
F 2025	14.94	48.68	88.13	4.14	6.04	294.88
F 2026	15.59	51.65	89.96	3.97	6.71	305.95
F 2027	15.99	52.96	92.29	3.92	6.42	314.27
F 2028	14.87	55.14	95.29	4.21	5.86	322.42
F 2029	15.12	58.07	98.91	4.16	6.08	333.97

Revenue Projection



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](#); REAL ID: [61-5-129, 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
- There is an additional \$25 fee for REAL ID compliant licenses.

**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	2.50%	3.75%	3.34%	2.50%	
Motorcycle Safety Account			63.46%		
Traffic Education Account	20.70%	8.75%		16.94%	
State General Fund	<u>76.80%</u>	<u>87.50%</u>	<u>33.20%</u>	<u>80.56%</u>	<u>100.00%</u>
Total	100.00%	100.00%	100.00%	100.00%	100.00%

### 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

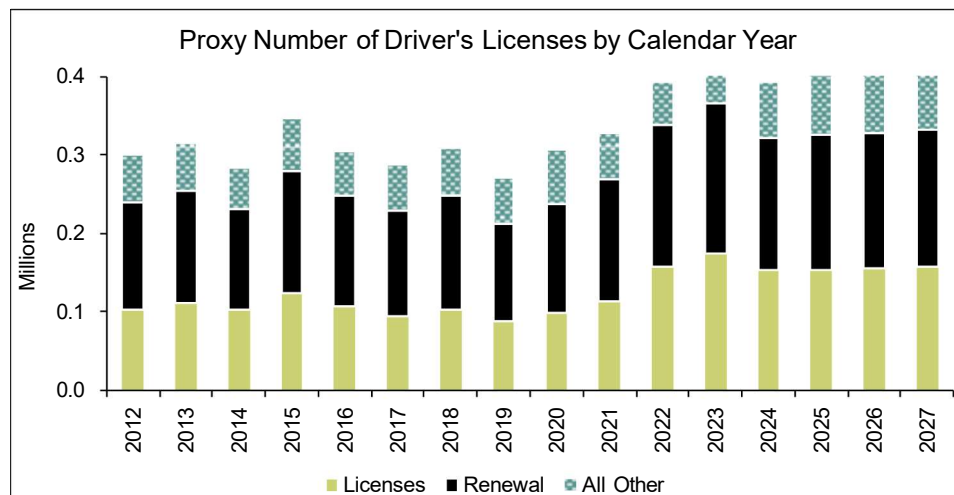
## Driver's License Fees

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 revenue estimates contained in House Joint Resolution 2.

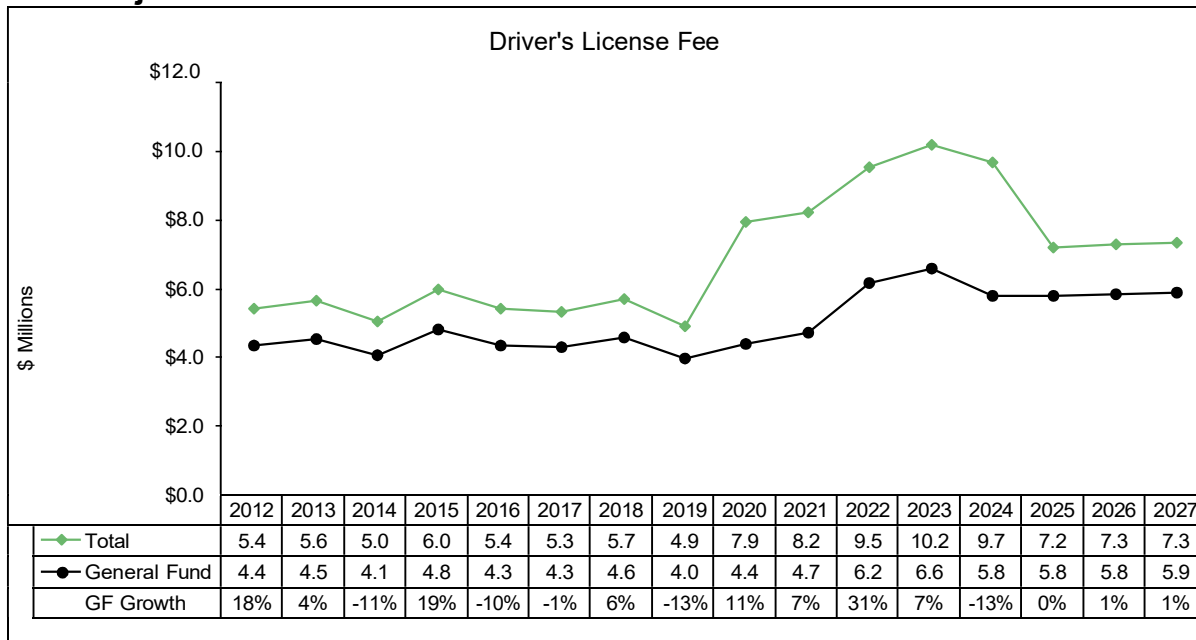
**Business and Personal Taxes****Driver's License Fees**

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 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	7.92	4.41	3.10	0.43	0.01	0.40	0.07
A 2021	8.22	4.70	3.53	0.35	0.02	0.38	0.08
A 2022	9.51	6.17	4.96	0.29	0.02	0.44	0.09
A 2023	10.19	6.60	5.45	0.29	0.02	0.38	0.10
A 2024	9.66	5.77	4.79	0.46	0.02	0.35	0.08
F 2025	7.21	5.77	4.85	0.47	0.02	0.35	0.09
F 2026	7.27	5.83	4.90	0.47	0.02	0.35	0.09
F 2027	7.34	5.88	4.95	0.47	0.02	0.35	0.09
F 2028	7.39	5.92	4.99	0.48	0.02	0.35	0.09
F 2029	7.46	5.97	5.03	0.48	0.02	0.35	0.09

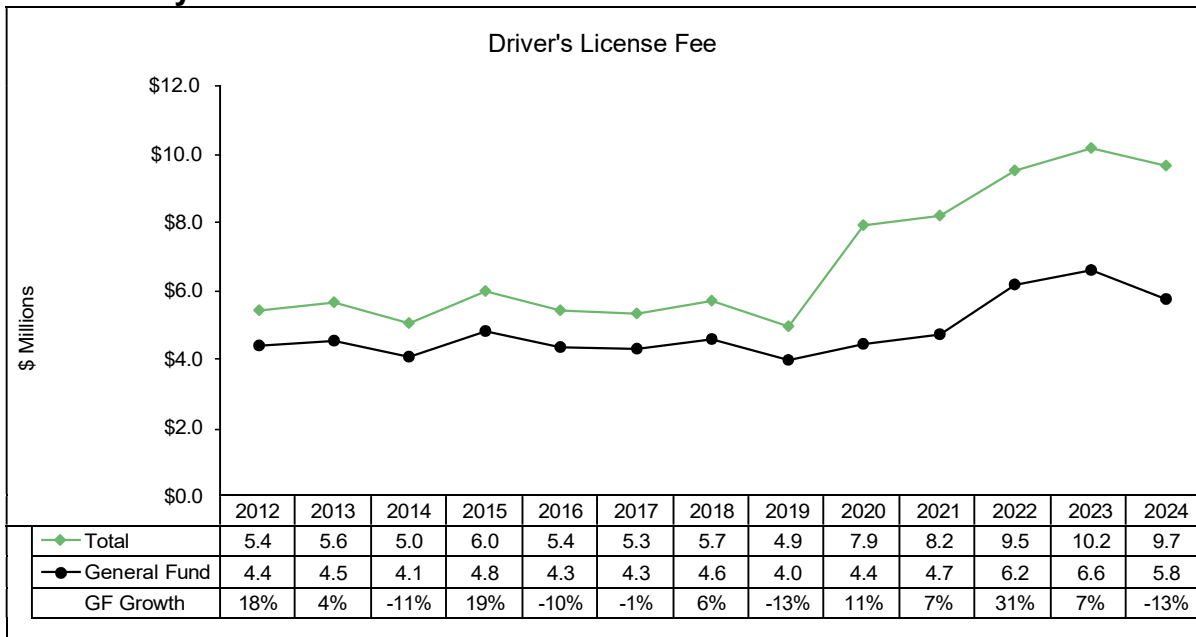
FY	Proxy Licenses Millions	Proxy Duplicates Millions	Proxy Cycle Millions	Proxy Interstate Millions	Proxy Intrastate Millions	Proxy Renewal Millions
A 2014	0.10	0.03	0.01	0.01	0.00	0.13
A 2015	0.12	0.04	0.01	0.02	0.00	0.16
A 2016	0.11	0.03	0.01	0.01	0.00	0.14
A 2017	0.09	0.04	0.01	0.01	0.00	0.13
A 2018	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
A 2023	0.17	0.03	0.02	0.01	0.00	0.19
A 2024	0.15	0.05	0.01	0.01	0.00	0.17
F 2025	0.15	0.05	0.02	0.01	0.00	0.17
F 2026	0.16	0.05	0.01	0.01	0.00	0.17
F 2027	0.16	0.05	0.02	0.01	0.00	0.17
F 2028	0.16	0.05	0.01	0.01	0.00	0.18
F 2029	0.16	0.05	0.02	0.01	0.00	0.18

## Business and Personal Taxes Revenue Projection

## Driver's License Fees



## Revenue History





## Individual Income Tax

### Revenue Description

The tax is levied against Montana taxable income (MTI). Beginning in CY 2024, MTI is based on an individuals' Federal Taxable Income, with additional adjustments. 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

Montana has two tax rates, 4.7% and 5.9%, for ordinary income and 3.0% and 4.1% for net long-term capital gains. Beginning in CY 2024, the tax brackets are: \$41,000 for any married taxpayer filing a joint return, \$30,750 for any individual filing as head of household, and \$20,500 for any other taxpayer filing a return. These brackets are adjusted each year for inflation.

**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
- Montana Tax Policy
- Federal Tax Policy

### 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 S&P Global.

#### 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.

## Business and Personal Taxes

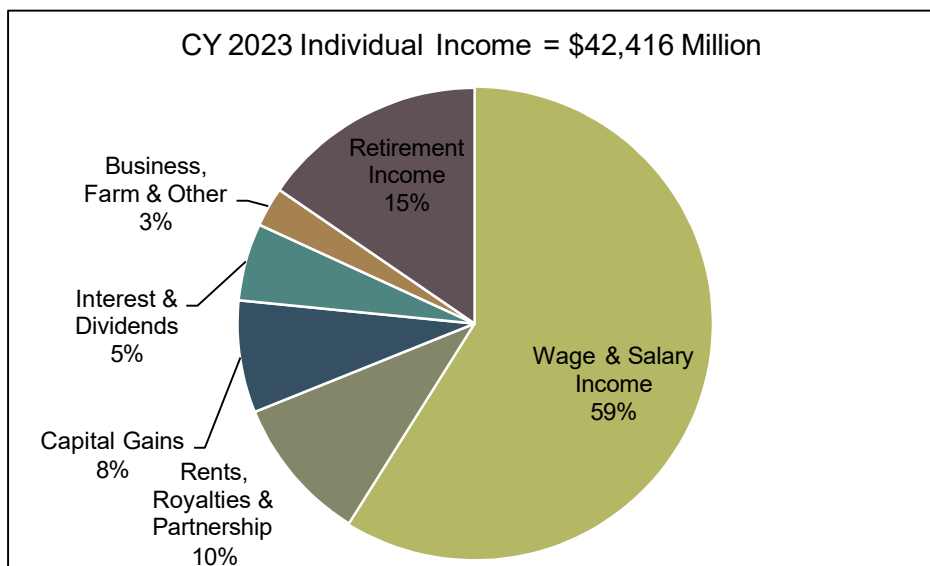
## Individual Income Tax

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.

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 components, Montana-specific additions and subtractions, and deduction line items. The models for most of the income line items are highlighted in this section, along with corresponding forecast risks. Nearly 60% 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.

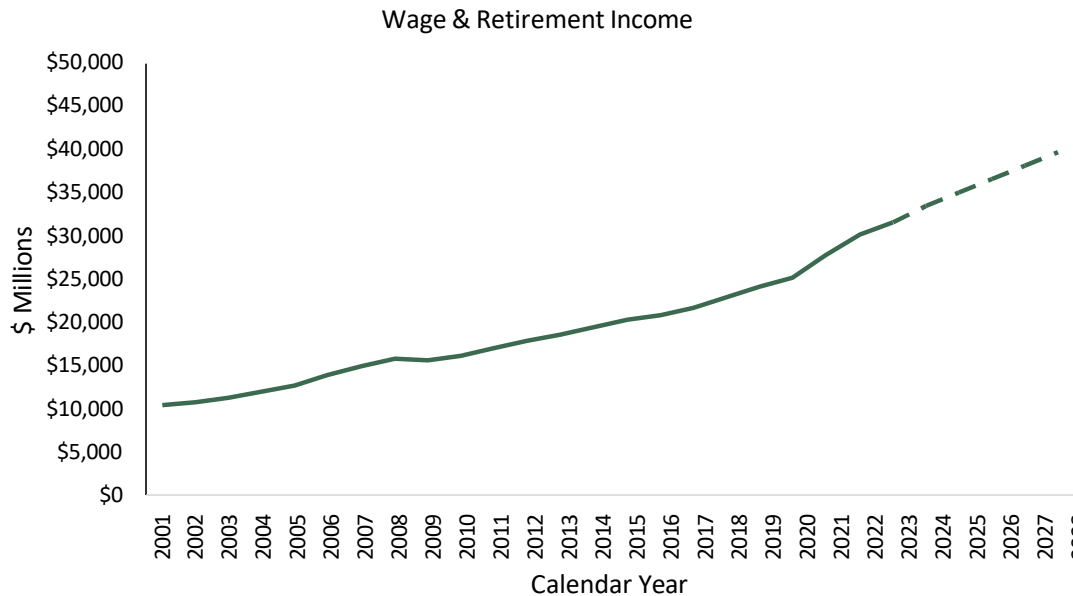
	Individual Income Growth Rates					
	CY 2024	CY 2025	CY 2026	CY 2027	CY 2028	CY 2029
FYR Returns (Annual)	2.3%	1.2%	0.4%	0.4%	0.4%	0.5%
FYR Returns (Cumulative)	102.3%	103.6%	104.0%	104.3%	104.8%	105.3%
Inflation State	5.4%	2.9%	2.8%	2.3%	2.3%	2.2%
Inflation Federal	5.5%	2.8%	2.3%	2.0%	2.0%	1.8%
Wages and salaries	6.7%	4.5%	4.6%	4.2%	4.4%	4.3%
Interest income	16.2%	4.0%	7.3%	8.5%	8.1%	7.3%
Dividend income	4.5%	10.0%	1.9%	0.7%	0.8%	0.6%
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	6.1%	3.2%	3.1%	3.4%	4.3%	4.1%
Capital gains	41.0%	4.2%	-25.2%	-9.6%	6.6%	7.2%
Supplemental gains	-1.8%	0.0%	0.0%	0.0%	0.0%	0.0%
IRA distributions	8.4%	5.3%	1.7%	1.6%	1.8%	2.2%
Taxable pensions	2.5%	4.3%	5.4%	4.5%	4.2%	3.9%
Rents, royalties, etc.	16.4%	3.4%	-1.0%	-0.6%	-0.3%	0.8%
Farm income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Unemp. compensation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Taxable social security	5.6%	5.1%	4.3%	4.1%	3.8%	3.6%
Other income	500.0%	0.0%	0.0%	0.0%	0.0%	0.0%

### Reasons for Forecasting Uncertainty in Upcoming Biennium

#### Forecasting Income Types:

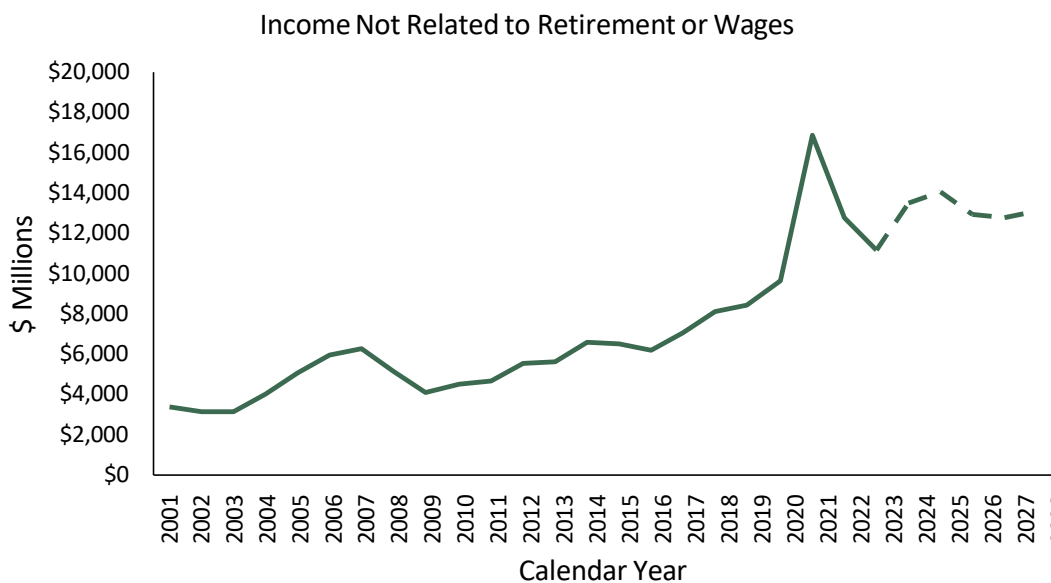
The LFD uses economic forecasts from S&P Global to estimate total income in the state. The forecasts include Montana wage disbursements, the S&P 500 index, US corporate profits, and many more. **As a result, like many other revenue sources, the revenue forecast for individual income tax is really**

*a forecast built on top of other forecasts.* Some sources of income are far more stable than others, and generally can be forecasted with high levels of certainty. These include wage and retirement income in the state. These types of income, along with their forecast are shown in the figure below.



After years of above-normal growth in wage and retirement income, the forecast assumes that growth will generally revert to pre-CY 2021 trends.

Unlike wage and retirement income, income such as capital gains, partnership, interest earnings, rental income, and others are much more volatile on a year-to-year basis. The figure at the top of the next page illustrates this volatility as well as the corresponding forecast for this group of select income types.



### Impacts of Changes to State Tax Policy and Taxable Base:

Since the end of the 2023 Legislative Session, there have been many changes to Montana's individual income tax policy that have taken effect. [SB 399](#), from the 2021 legislative session, made Federal Taxable Income (FTI) the starting point for calculating Montana's taxable income, and took effect on

## Business and Personal Taxes

## Individual Income Tax

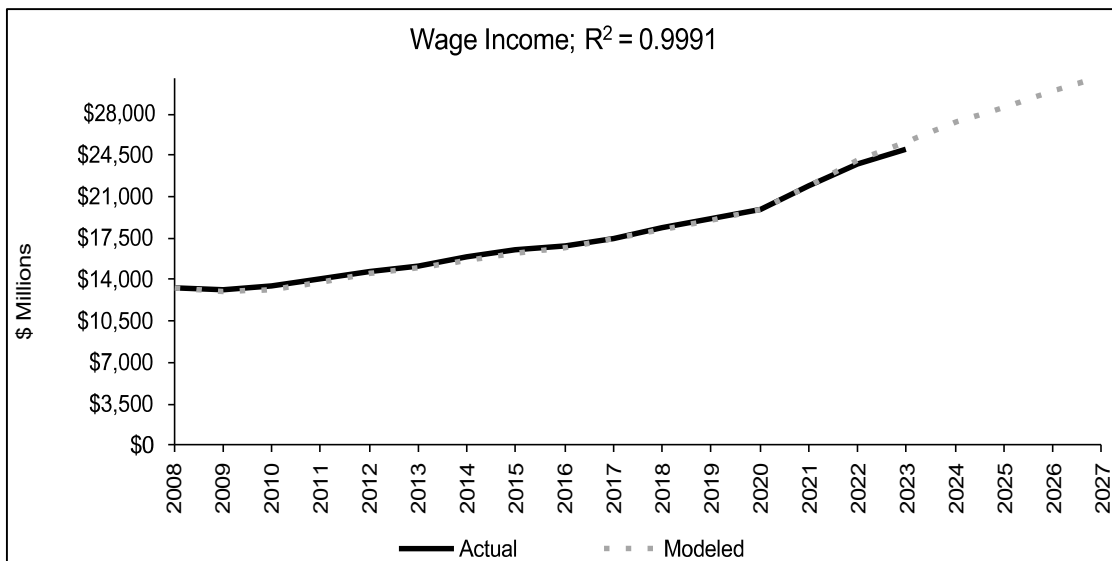
January 1, 2024. [SB 121](#), from the 2023 legislative session, lowered the top marginal tax rate from a scheduled 6.5% to 5.9%. Finally, [SB 554](#) created an optional pass-through entity tax.

A pass-through entity's state income tax is categorized as an above-the-line business expense and does not count towards the Federal State and Local Tax (SALT). As a result, Montana taxpayers choosing to pay their state income tax through their pass-through can lower their federal income tax liability. When taxpayers file their individual state return, they must include their pass-through income. However, since the tax was already paid at the entity level they are offered a credit. At this point, the LFD estimates that there are approximately \$100 million credits from CY 2023 activity that are unclaimed. These credits will eventually be claimed, lowering collections, though the exact timing is difficult to estimate.

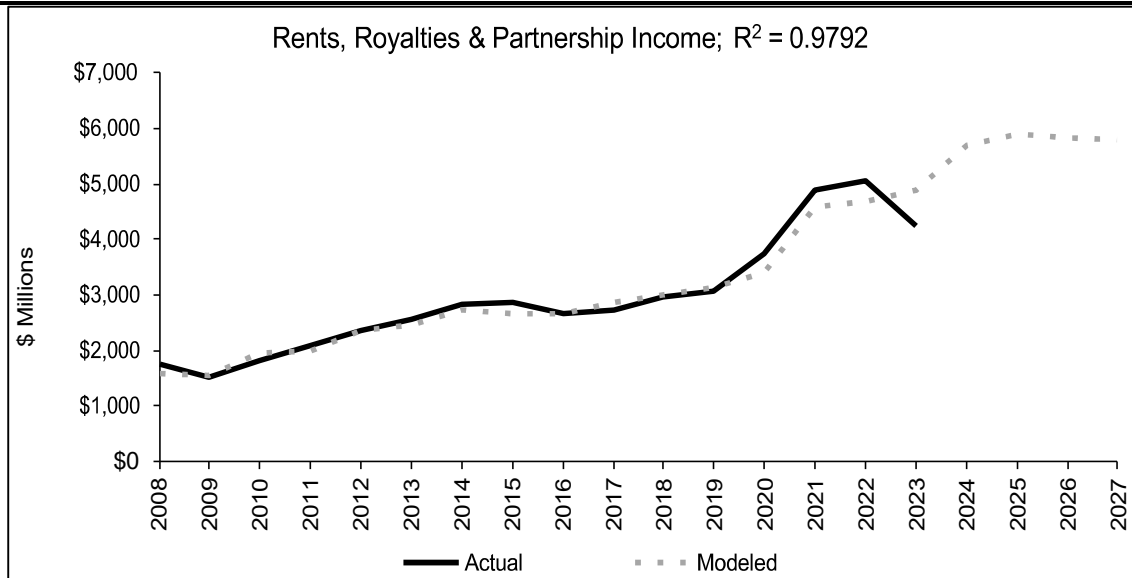
Most of the provisions of the Federal Tax Cuts and Jobs Act (TCJA) went into effect on January 1, 2018 and many of these provisions are set to expire at the end of CY 2025. As is often the case when federal tax policy changes, taxpayers may shift income across tax years. How they shift income ultimately depends on what course of action the federal government takes.

While fiscal estimates are produced for each of the changes to state provisions listed above, and are incorporated in the forecasting, these are still estimates. In fact, ***these are really forecasts based upon the HJ 2 forecast which is based upon S&P Global's forecasts.*** As a result, there is uncertainty in distinguishing the new ongoing taxable base moving forward, coupled with likely income shifts due to perceived upcoming changes to federal tax policy.

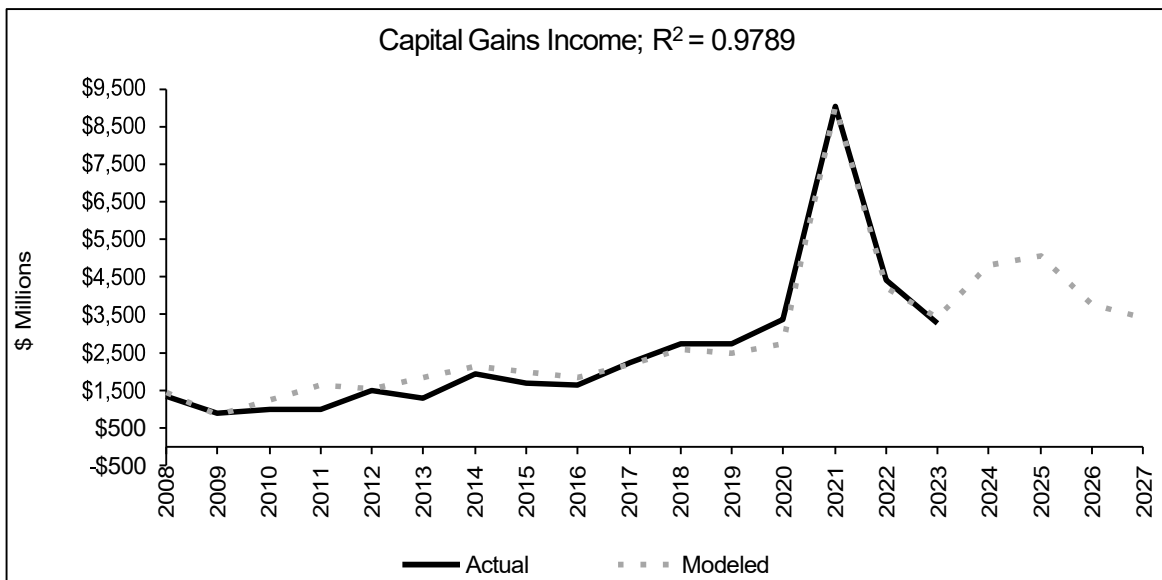
Wage and salary income is the largest source of individual income and is modeled on the S&P Global series for Montana wage and salary distributions.



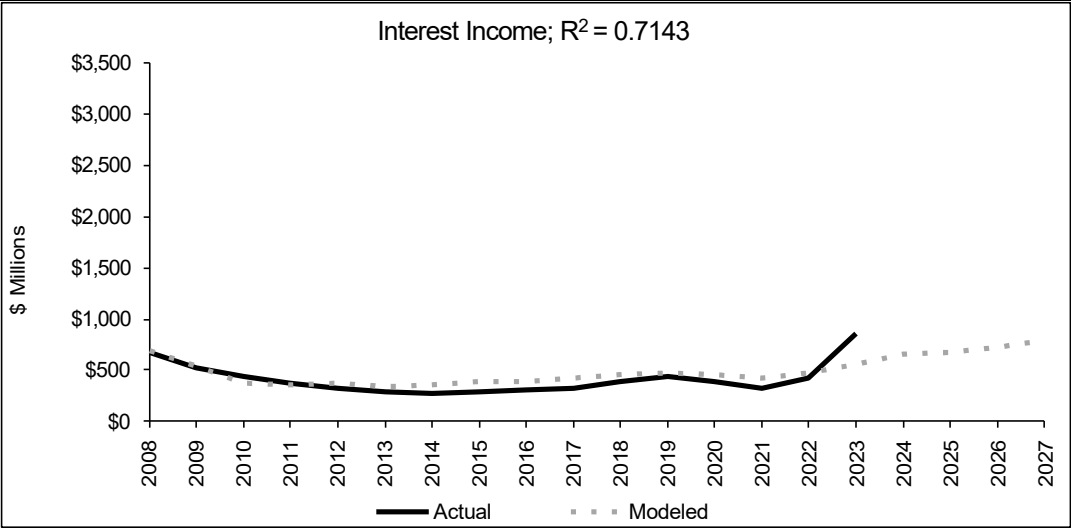
Rent, royalty & partnership (schedule E) income is modeled on S&P 500 and before tax corporate profits and in recent years has trended quite well.



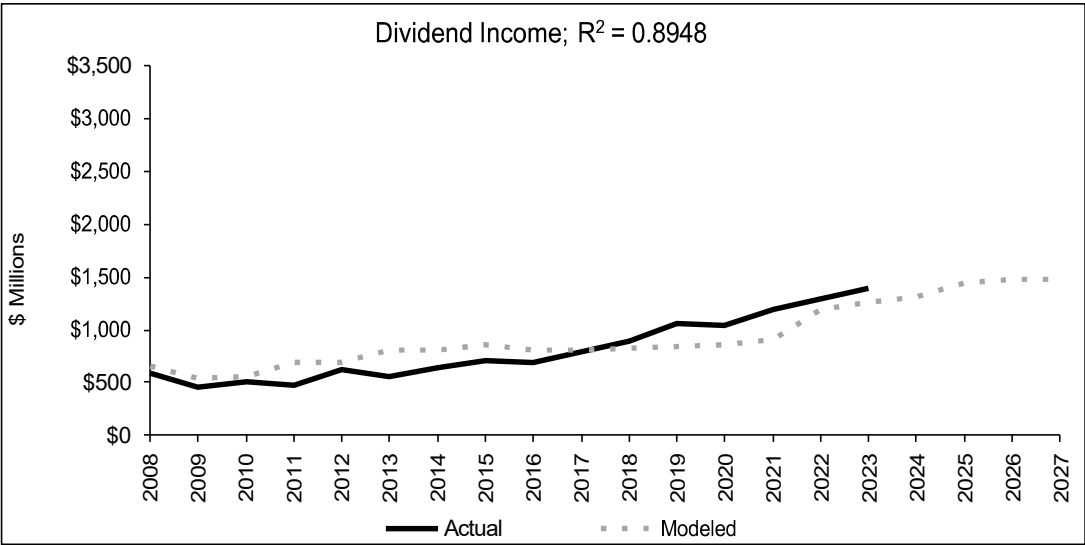
Capital gains income is modeled on a two-year difference of the S&P 500 stock market index, Montana median house price, and the annual number of Montana home sales. An indicator variable is also used to reflect the unusually high capital gains realizations in CY 2021.



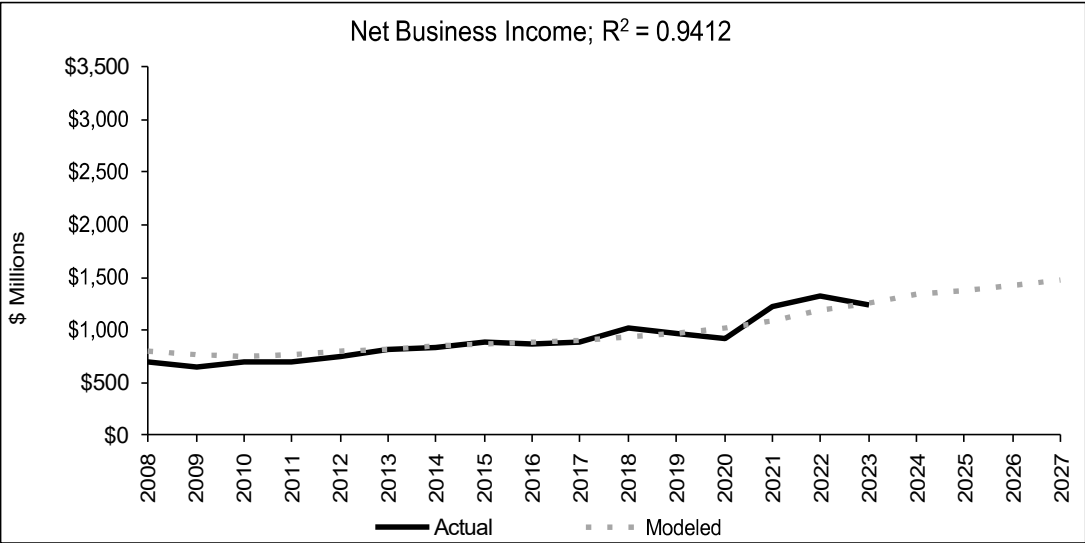
Interest income is modeled on the rate of 3-month negotiable CDs and national personal interest income.



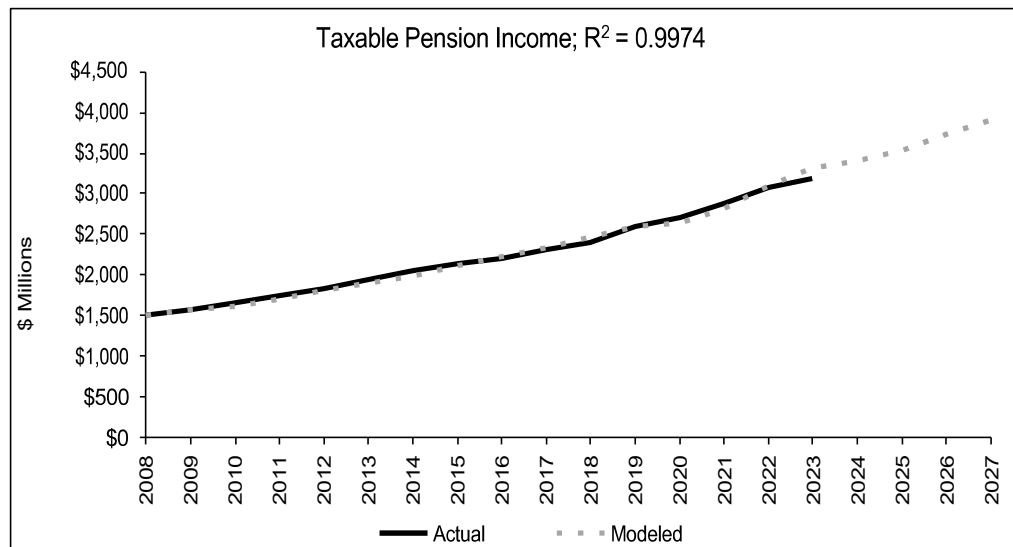
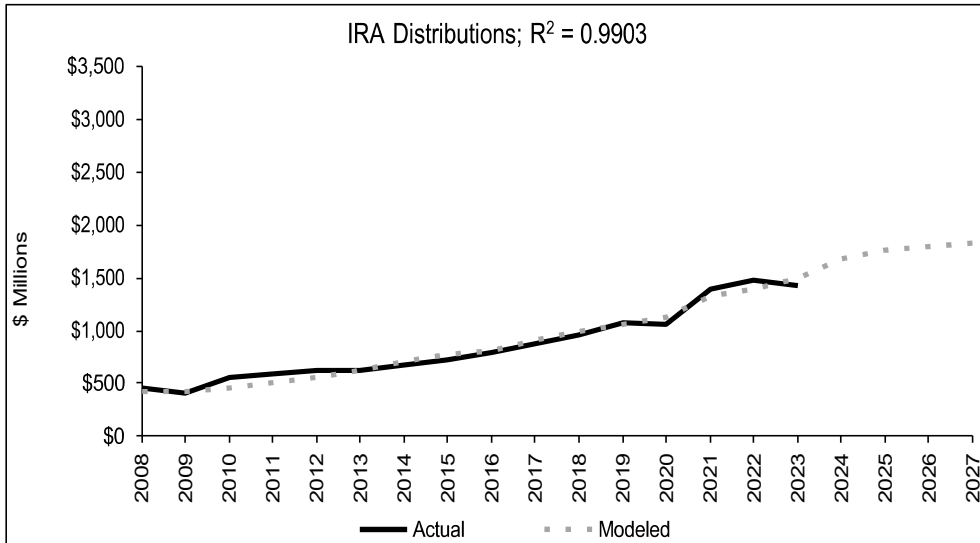
Dividend income is modeled on before-tax corporate profits.



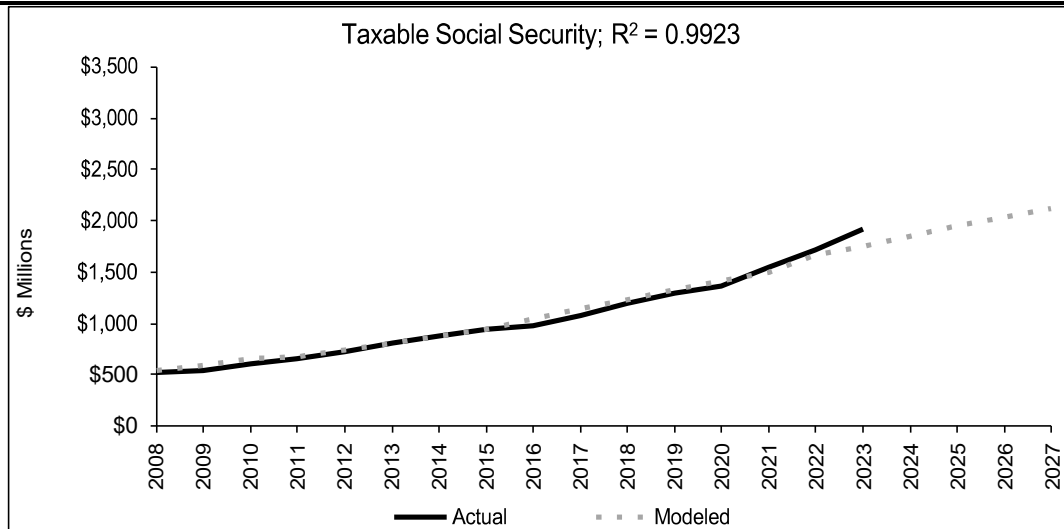
Net business income is modeled on national non-farm proprietor's income, Montana farm proprietor's income, and gross state product for the construction industry.



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 aged 65 and older.



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 revenue estimates contained in House Joint Resolution 2.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Audit, P&I \$ Millions	Earned Income	
				Tax Credit \$ Millions	RIC Adjustment
A 2014	\$1,063.284	\$1,063.284	\$41.010		
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	(5.30)	
A 2020	1,435.24	1,435.24	48.21	(5.85)	
A 2021	1,765.42	1,765.42	59.20	(5.30)	
A 2022	2,393.81	2,393.81	71.97	(3.76)	
A 2023	2,254.31	2,254.31	81.44	(5.16)	
A 2024	2,243.95	2,243.95	81.46	(18.40)	
F 2025	2,166.41	2,166.41	79.57	(18.82)	(35.00)
F 2026	2,284.36	2,284.36	83.33	(19.04)	(36.00)
F 2027	2,340.31	2,340.31	83.77	(19.06)	(37.00)
F 2028	2,437.38	2,437.38	85.68	(18.98)	
F 2029	2,541.04	2,541.04	89.24	(18.94)	



## Business and Personal Taxes

## Individual Income Tax

	Modeled FYR Liability CY \$ Millions	Population Adjustment Percent	FYR Liability \$ Millions	Non-Resident Factor Percent	Total Liability Before Credits \$ Millions	Elderly H/R Credit \$ Millions	All Other Credits \$ Millions
A 2014	\$997.892	100.0%	\$997.892	107.2%	\$1,069.590	\$8.918	\$48.085
A 2015	1,034.358	100.0%	1,034.358	106.9%	1,106.240	8.664	50.352
A 2016	1,022.467	100.0%	1,022.467	107.3%	1,096.673	8.410	46.481
A 2017	1,118.513	100.0%	1,118.513	107.0%	1,196.354	8.156	52.617
A 2018	1,244.186	100.0%	1,244.186	105.3%	1,310.193	7.903	68.095
A 2019	1,308.844	100.0%	1,308.844	104.7%	1,370.571	7.649	69.052
A 2020	1,500.731	100.0%	1,500.731	106.5%	1,597.994	7.883	80.684
A 2021	1,946.917	100.0%	1,946.917	108.1%	2,105.476	7.116	116.841
A 2022	1,851.026	100.0%	1,851.026	109.1%	2,020.215	10.650	110.573
A 2023	1,808.326	100.0%	1,808.326	106.1%	1,918.615	10.241	88.783
F 2024	1,929.463	102.3%	1,973.697	106.1%	2,094.072	10.241	101.491
F 2025	1,995.838	103.6%	2,066.939	106.1%	2,193.001	10.241	104.728
F 2026	1,998.688	104.0%	2,077.737	106.1%	2,204.458	10.241	104.099
F 2027	2,036.565	104.3%	2,125.034	106.1%	2,254.639	10.241	103.821
F 2028	2,112.369	104.8%	2,213.400	106.1%	2,348.394	10.241	103.816
F 2029	2,190.469	105.3%	2,306.463	106.1%	2,447.133	10.241	104.761

	Wage Income CY \$ Millions	Rent, Royalty & Part. Inc. \$ Millions	Capital Gains Income \$ Millions	Interest Income \$ Millions	Dividend Income \$ Millions	Net Business Income \$ Millions	IRA Distributions \$ Millions
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	21,886.059	4,884.464	9,012.837	325.299	1,185.222	1,227.592	1,400.493
A 2022	23,847.215	5,067.202	4,396.772	414.598	1,286.511	1,330.618	1,485.218
A 2023	24,972.541	4,242.044	3,269.505	855.657	1,388.497	1,238.276	1,434.269
F 2024	26,637.663	4,936.097	4,608.921	994.205	1,450.811	1,313.298	1,554.072
F 2025	27,848.062	5,102.172	4,803.265	1,033.773	1,596.554	1,354.795	1,636.984
F 2026	29,123.968	5,052.641	3,590.961	1,109.665	1,627.079	1,397.260	1,664.957
F 2027	30,341.785	5,022.534	3,245.743	1,203.796	1,638.239	1,445.096	1,691.707
F 2028	31,681.949	5,007.458	3,458.925	1,301.067	1,650.915	1,506.819	1,722.919
F 2029	33,036.966	5,045.172	3,709.434	1,396.465	1,661.565	1,568.948	1,760.078

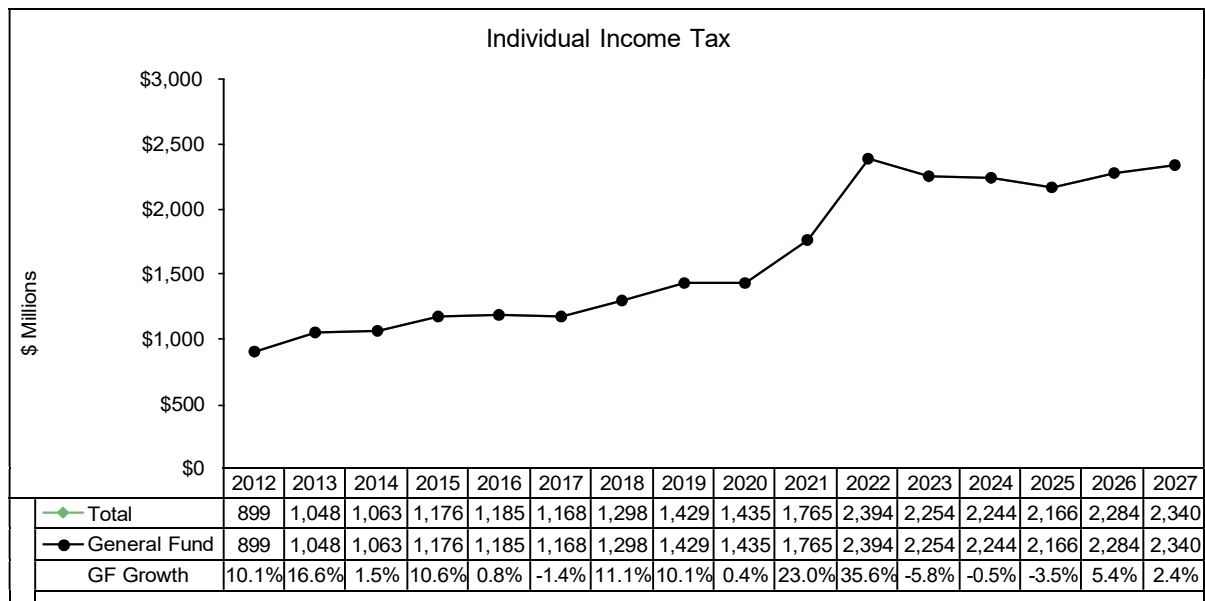
	Pension Income CY \$ Millions	Social Security \$ Millions	Farm Income \$ Millions	Other Income \$ Millions	Adjustments to Income \$ Millions	Additions to Income \$ Millions	Reductions to Income \$ Millions
A 2014	\$2,050.104	\$882.266	(\$115.194)	(\$509.221)	\$499.660	\$783.984	\$1,399.342
A 2015	2,139.286	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	2,889.238	1,545.174	(334.737)	(310.927)	503.561	816.286	2,017.033
A 2022	3,084.634	1,712.602	(331.478)	(260.535)	522.474	841.483	1,832.095
A 2023	3,174.709	1,920.209	(324.962)	(51.080)	529.915	783.346	2,177.388
F 2024	3,253.058	2,027.046	(324.962)	(306.479)	-	-	-
F 2025	3,393.487	2,130.055	(324.962)	(306.479)	-	-	-
F 2026	3,577.736	2,222.199	(324.962)	(306.479)	-	-	-
F 2027	3,740.199	2,313.340	(324.962)	(306.479)	-	-	-
F 2028	3,898.527	2,400.200	(324.962)	(306.479)	-	-	-
F 2029	4,048.869	2,485.973	(324.962)	(306.479)	-	-	-

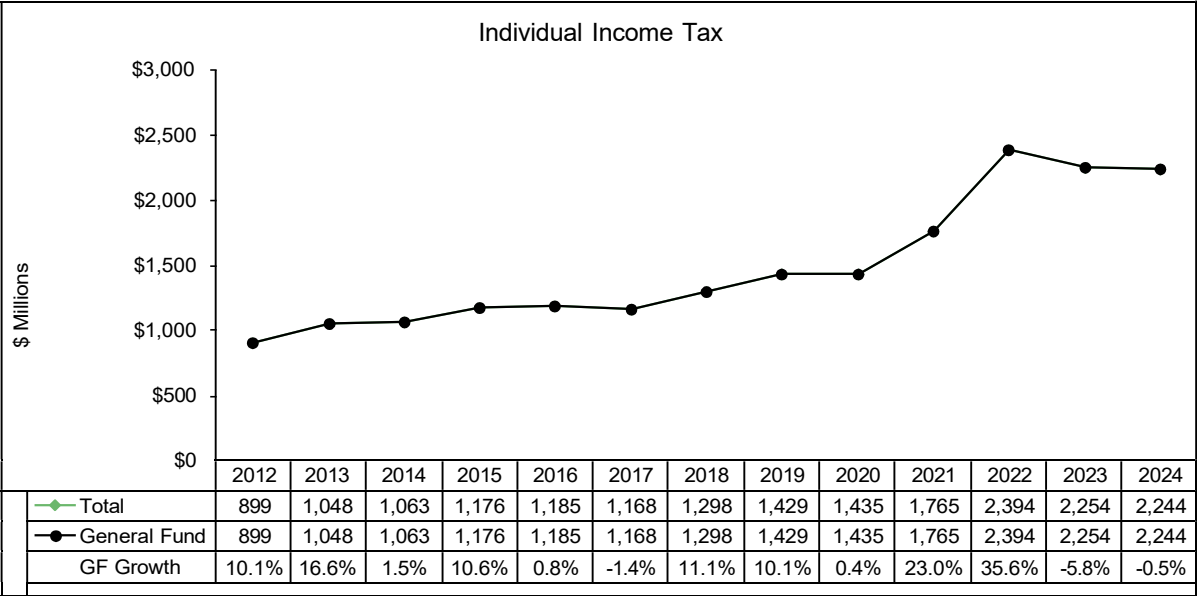
## Business and Personal Taxes

## Individual Income Tax

CY	Itemized Deductions \$ Millions	Montana Adj. Gross Income \$ Millions	Capital Gains Credit \$ Millions	FYR Returns Annual Gr. Percent	Federal Inflation Percent	State Inflation Percent
A 2014	\$4,274.492	\$24,390.092	\$39.533	0.9%		
A 2015	4,488.435	25,025.551	34.639	1.6%		
A 2016	4,591.664	25,198.944	33.576	0.3%		
A 2017	4,706.078	26,903.031	44.759	1.4%		
A 2018	4,452.909	29,107.663	55.202	1.1%		
A 2019	4,445.662	30,259.841	55.709	1.0%		
A 2020	4,380.851	32,063.665	68.290	-2.5%		
A 2021	4,635.392	39,531.790	125.400	4.0%		
A 2022	4,697.959	40,923.701	89.622	3.1%		
A 2023	4,763.198	40,567.248	67.123	1.8%		
F 2024				2.3%	5.5%	5.4%
F 2025				1.2%	2.8%	2.9%
F 2026				0.4%	2.3%	2.8%
F 2027				0.4%	2.0%	2.3%
F 2028				0.4%	2.0%	2.3%
F 2029				0.5%	1.8%	2.2%

## Revenue Projection





**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](#))

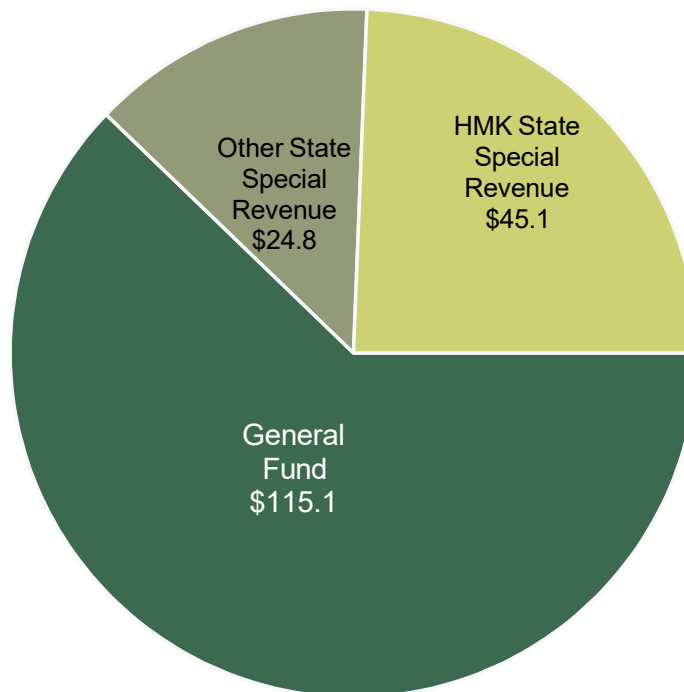
**Applicable Tax Rates**

- 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 2024 distribution of insurance tax and license fee revenue (\$ millions).

**Forecast Risks**

- Changes in the forecast for personal consumption expenditures for the finance and insurance services sector
- Changes in health insurance premium costs
- Changes in health insurance purchases on the exchange
- Wildfire risk causing insurance companies to deny coverage, this can be offset by increases in surplus lines

**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 S&P Global. 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 S&P Global.

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, S&P Global-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 S&P Global 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**

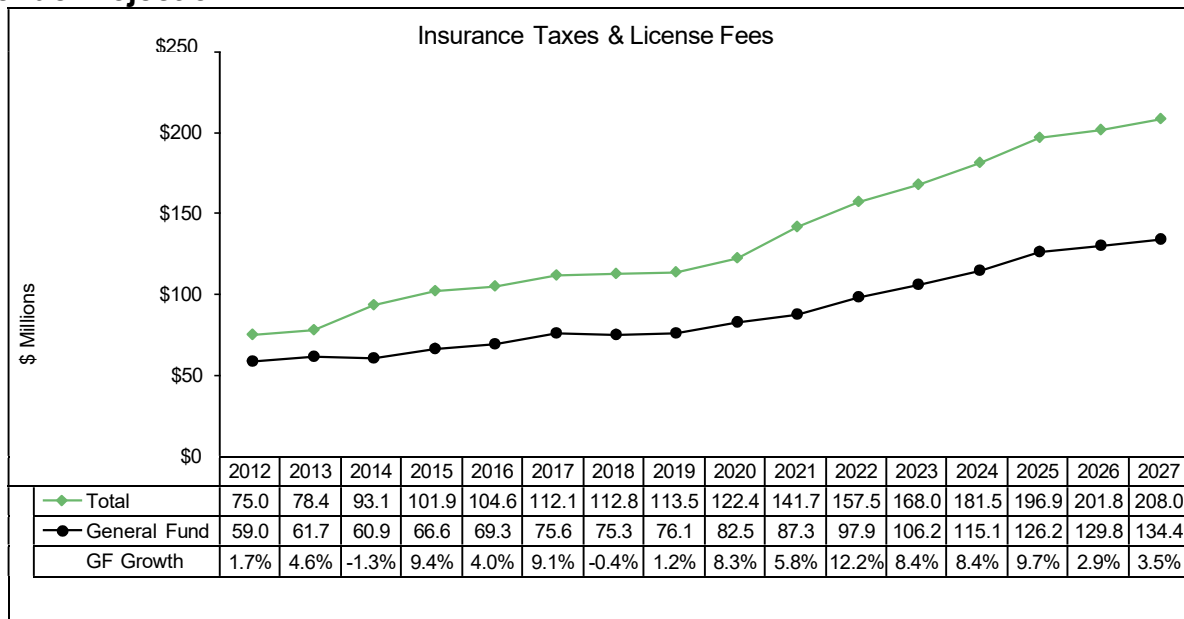
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

## Business and Personal Taxes

## Insurance Tax and License Fees

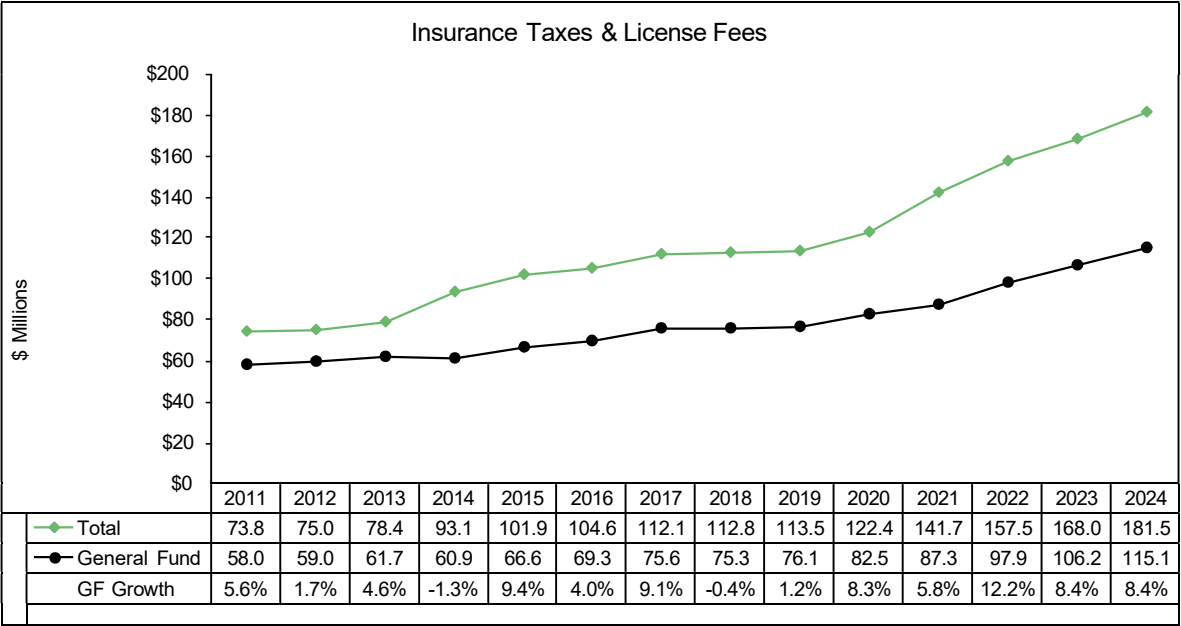
FY	Total Revenue \$ Millions	GF Tax \$ Millions	Proxy Insurance Tax \$ Millions	MT PCE Fin. & Ins. \$ Millions	GF Insurance Fees \$ Millions	Non-GF Ins. Fees \$ Millions
A 2014	\$93.05	\$60.87	\$78.65	\$2,470.18	\$8.34	\$6.06
A 2015	101.94	66.58	86.89	2,581.95	8.80	6.26
A 2016	104.56	69.25	87.20	2,631.21	11.00	6.36
A 2017	112.12	75.56	91.07	2,782.49	14.76	6.30
A 2018	112.78	75.27	92.28	2,946.68	13.75	6.74
A 2019	113.46	76.14	92.63	3,082.24	14.39	6.45
A 2020	122.37	82.49	100.18	3,126.87	15.70	6.49
A 2021	141.70	87.30	106.86	3,417.03	16.06	8.75
A 2022	157.54	97.94	117.52	3,658.85	19.59	10.09
A 2023	168.00	106.20	126.14	4,022.62	22.10	9.85
A 2024	181.49	115.07	135.35	4,352.17	24.84	10.02
F 2025	196.90	126.20	146.33	4,581.71	28.16	11.13
F 2026	201.75	129.82	148.00	4,633.33	30.66	11.82
F 2027	207.98	134.35	151.03	4,727.47	33.16	12.51
F 2028	216.35	140.50	155.68	4,871.72	36.19	13.20
F 2029	224.91	146.59	161.04	5,037.90	38.69	13.90

## 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\(1b\)](#))

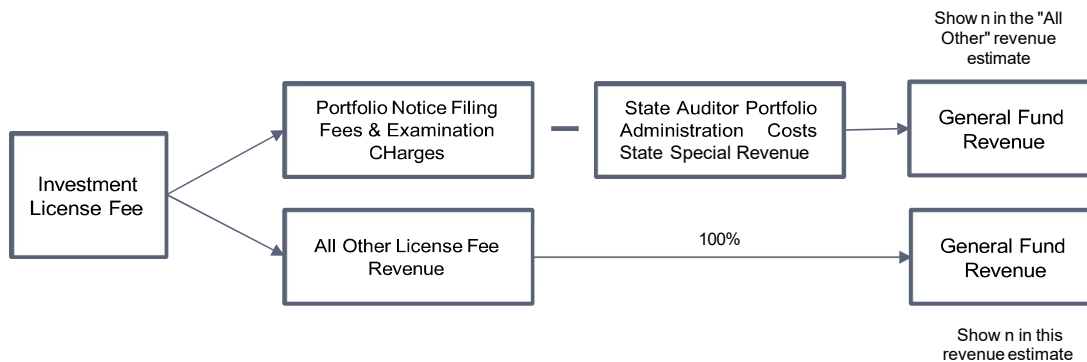
### Applicable Tax Rate

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 S&P Global.

### Analysis

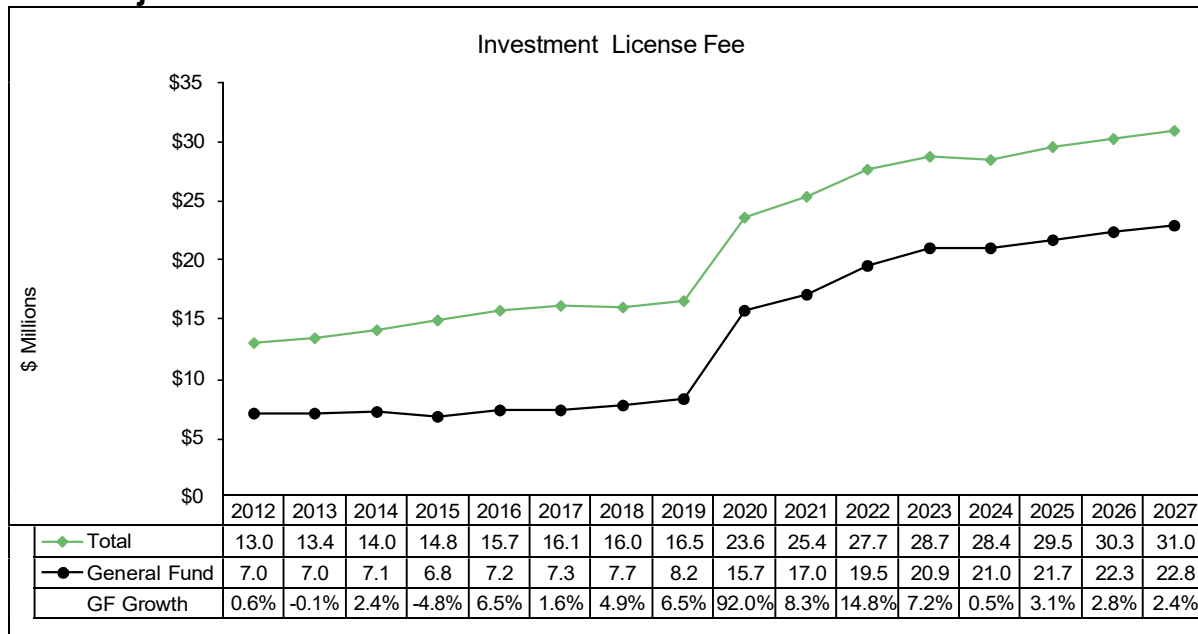
Licenses and permits receipts, and portfolio notice filing fees are modeled separately on the Montana personal consumption expenditures series for finance and insurance services.

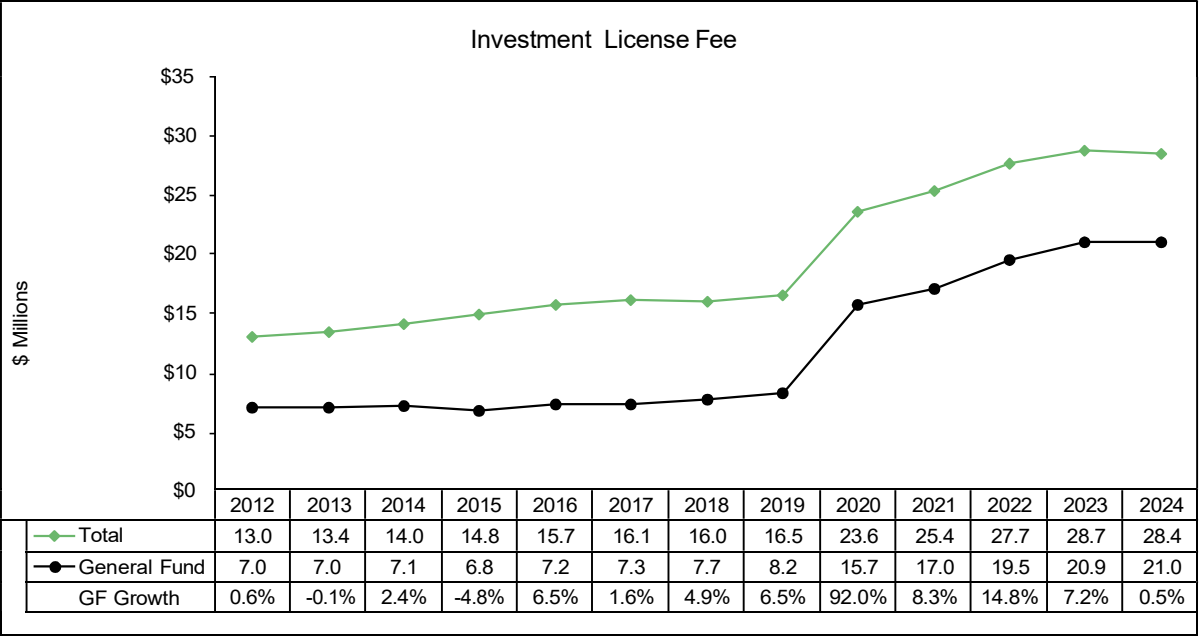
### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

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 2014	\$14.047	\$7.115	\$7.115	\$6.911	\$0.021	\$1.389	\$2,470.182
A 2015	14.821	6.773	6.773	8.048	0.000	1.442	2,581.950
A 2016	15.661	7.212	7.212	8.449	0.000	1.490	2,631.206
A 2017	16.071	7.327	7.327	8.702	0.042	1.464	2,782.488
A 2018	16.015	7.683	7.683	8.292	0.039	1.418	2,946.679
A 2019	16.457	8.182	8.182	8.275	0.000	1.388	3,082.239
A 2020	23.605	15.711	15.711	7.894	0.000	1.449	3,126.872
A 2021	25.411	17.020	17.020	8.391	0.000	1.588	3,417.033
A 2022	27.666	19.535	19.535	8.129	0.000	1.481	3,658.848
A 2023	28.732	20.942	20.942	7.790	0.000	1.790	4,022.617
A 2024	28.430	21.042	21.042	7.370	0.000	1.841	4,352.169
F 2025	29.532	21.696	21.696	7.836	0.000	1.630	4,581.714
F 2026	30.250	22.309	22.309	7.941	0.000	1.666	4,633.329
F 2027	30.981	22.849	22.849	8.132	0.000	1.681	4,727.473
F 2028	31.831	23.406	23.406	8.425	0.000	1.721	4,871.718
F 2029	32.746	23.984	23.984	8.762	0.000	1.708	5,037.902

### Revenue Projection





## 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.

### 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

([15-68-820](#) - Lodging Sales Tax)

- 75% of collections from the Lodging Sales Tax are deposited to the General Fund
- Until Dec 31, 2024, the remaining revenue will be distributed as:
  - 20% for funding the construction of the MT Heritage Center administered by the Dept. of Administration's Architecture & Engineering division
  - 5% for historic preservation grants administered by the Dept. of Commerce
- Starting January 1, 2025, the remaining revenue will be distributed as:
  - 6% to the Historical Society for the operation and maintenance of the MT Heritage Center
  - 6% for historic preservation grants administered by the Dept. of Commerce
  - 7% to the Capital developments long-range building program account
  - 6% to the Dept. of Commerce for tourism promotion. This is further divided as:
    - 68.5% to be used directly by the Dept. of Commerce
    - 7% to Fish Wildlife and Parks for maintenance of facilities in state parks
    - 24% to regional nonprofit tourism corporations, conventions, and city visitor bureaus

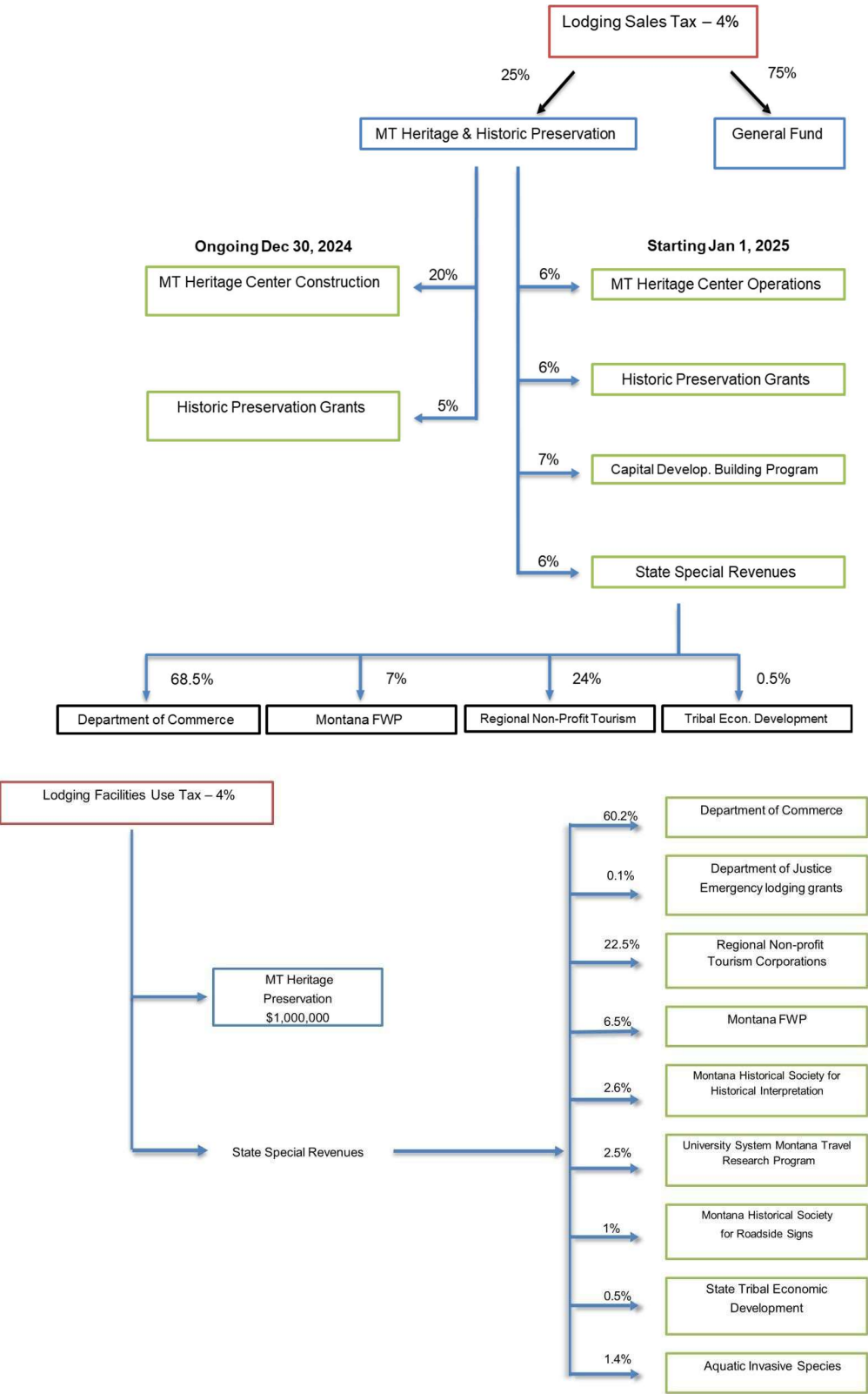
([15-65-121](#) - Lodging Facility Use Tax)

- 60.2% to be used directly by the Department of Commerce
- 0.1% to be used by the Department of Justice for emergency lodging grants
- 22.5% to regional nonprofit tourism corporations, conventions, and city visitor bureaus
- 6.5% to Fish Wildlife and Parks for maintenance of facilities in state parks
- 2.6% to the Montana historical interpretation SSR
- 2.5% to the university system for the administration of a Montana travel research program
- 1.4% to the invasive species SSR
- 1.0% to the MT historical society to be used for roadside historical signs and historic sites
- 0.5% to the SSR for use by state-tribal economic development commission

Business and Personal Taxes

Lodging Taxes

- 2.7% or \$1 million, whichever is less, to the Montana heritage preservation and development acct



**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 forecasted Montana consumer spending on accommodations from S&P Global.

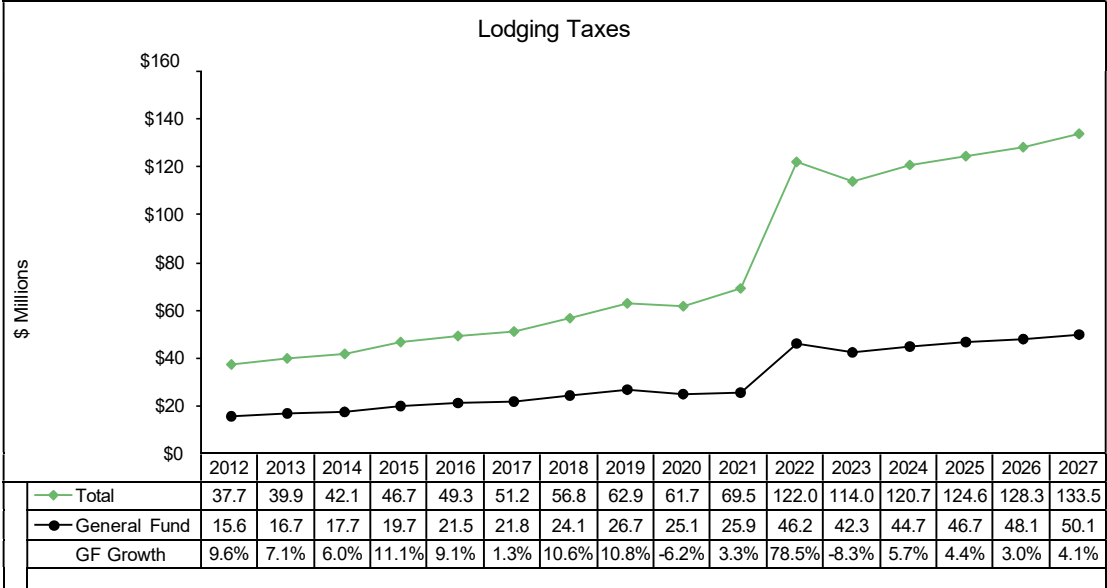
Analysis

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 for both sources. This proxy is modeled on Montana 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.

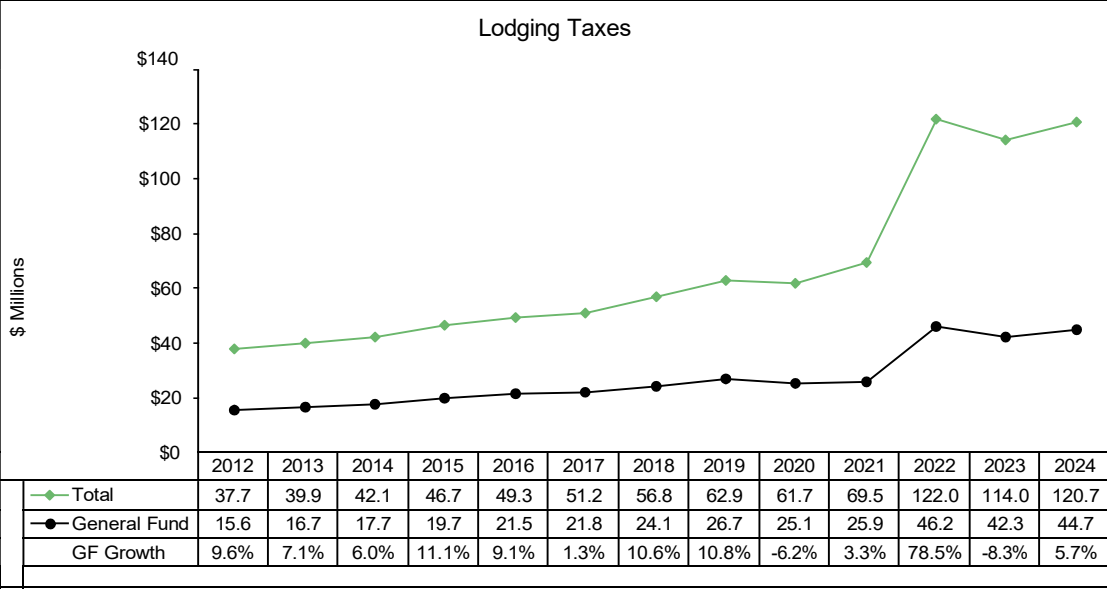
**Revenue Estimate Assumptions**

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Proxy Gross Sales \$ Millions	US Consumer Spending Acc. \$ Billions	Calculated Gross Sales \$ Millions
A 2014	\$42.059	\$17.725	\$608.358	\$122.977	\$600.849
A 2015	46.696	19.697	674.999	133.439	667.093
A 2016	49.290	21.493	694.923	139.461	704.136
A 2017	51.169	21.780	734.717	145.142	730.983
A 2018	56.751	24.091	816.510	154.426	810.736
A 2019	62.874	26.703	904.263	158.204	898.197
A 2020	61.676	25.058	839.140	129.301	831.208
A 2021	69.453	25.874	875.092	92.073	868.161
A 2022	122.007	46.175	1,518.111	155.969	1,525.084
A 2023	114.047	42.338	1,445.411	185.035	1,425.586
A 2024	120.738	44.750	1,534.893	198.958	1,509.223
F 2025	124.562	46.711	1,583.502	213.413	1,557.020
F 2026	128.287	48.108	1,630.866	220.834	1,603.592
F 2027	133.547	50.080	1,697.734	219.116	1,669.341
F 2028	139.207	52.203	1,769.681	218.928	1,740.085
F 2029	144.130	54.049	1,832.270	221.242	1,801.627



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](#)

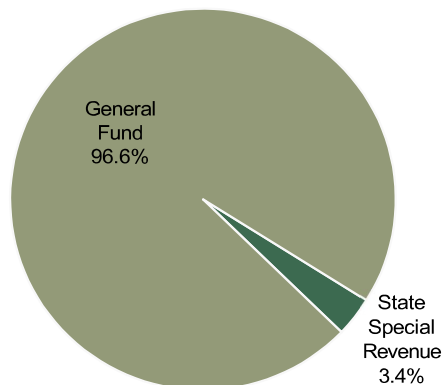
Tax Distribution – [61-3-108, MCA](#)

**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 S&P Global.

#### Analysis

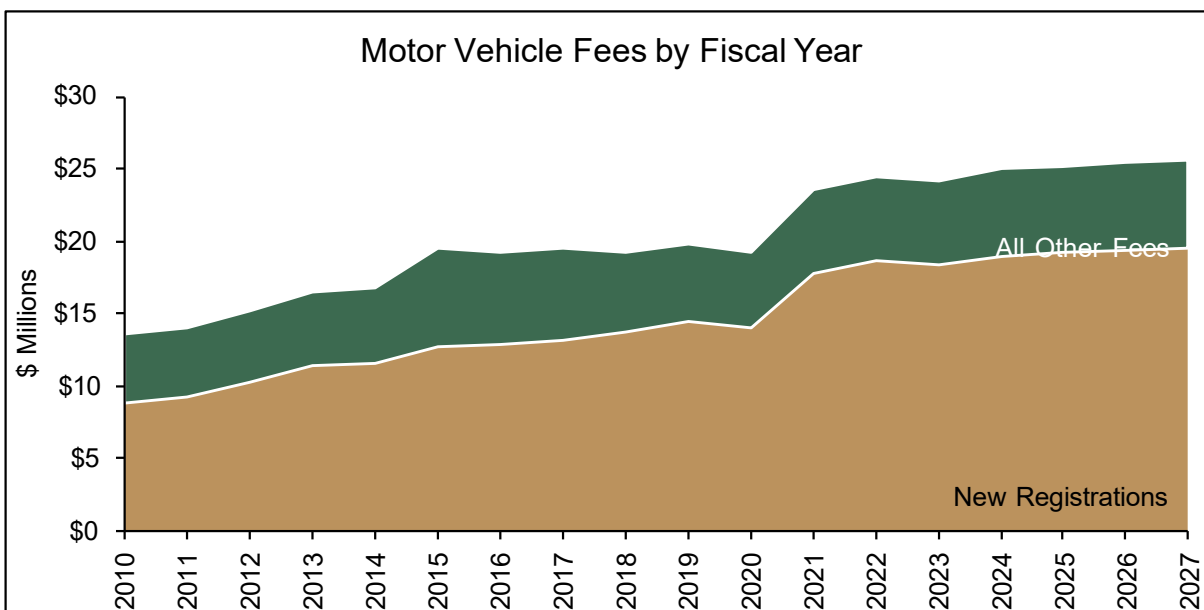
MV fees are currently imposed at different rates on eight major categories. Included in the fees assessed on motor vehicles in Montana are registration fees, two types of record liens, title fees,

## 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 S&P Global 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 revenue estimates contained in House Joint Resolution 2.

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 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
A 2023	26.085	26.085	18.381	0.573	3.115	1.153	0.209
A 2024	26.585	26.585	19.020	0.552	3.268	1.159	0.223
F 2025	26.824	26.824	19.191	0.557	3.297	1.169	0.225
F 2026	27.041	27.041	19.345	0.561	3.324	1.179	0.226
F 2027	27.265	27.265	19.506	0.566	3.351	1.188	0.228
F 2028	27.512	27.512	19.683	0.571	3.382	1.199	0.230
F 2029	27.745	27.745	19.849	0.576	3.410	1.209	0.232

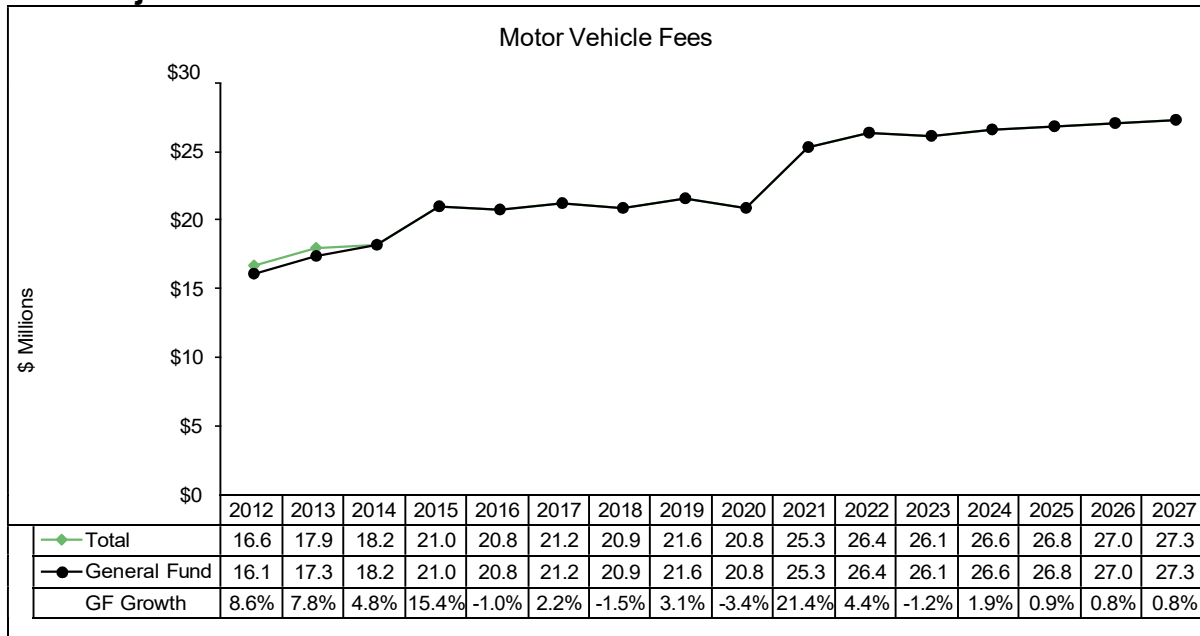


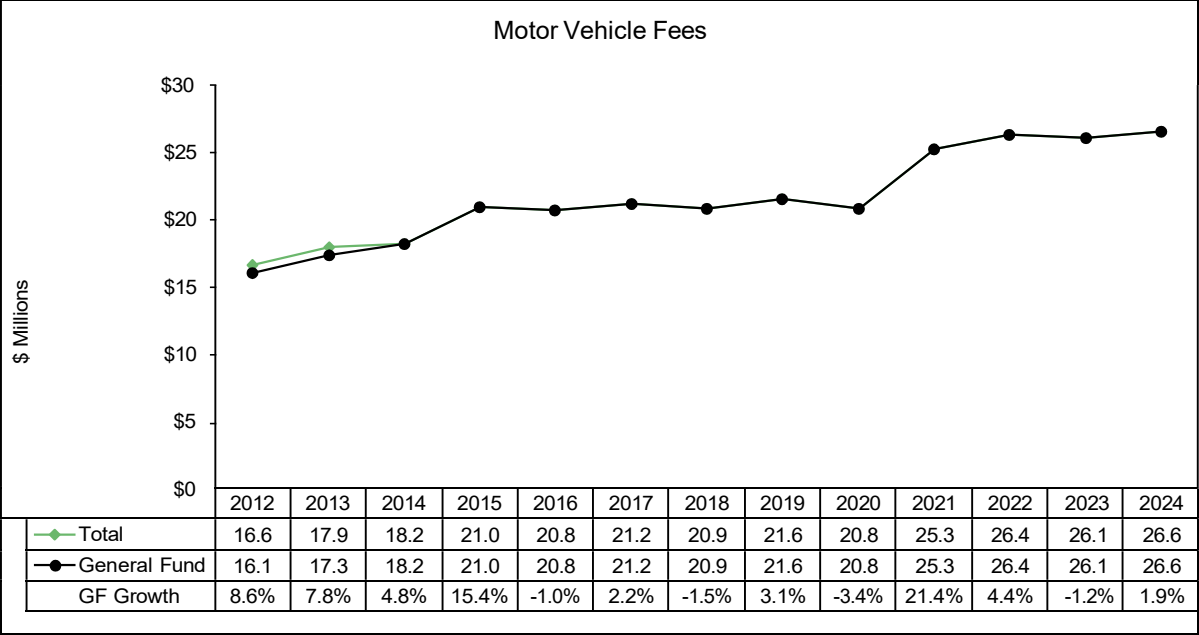
## Business and Personal Taxes

## Motor Vehicle Fee

FY	GF Fee New Plate \$ Millions	GF Fee Other \$ Millions	Non GF Fee Lien \$ Millions
A 2012	\$0.850	\$1.374	\$2.457
A 2013	1.953	1.391	2.749
A 2014	1.481	1.574	2.794
A 2015	1.538	1.654	2.750
A 2016	0.598	1.723	2.742
A 2017	0.591	1.749	2.817
A 2018	0.596	1.620	2.707
A 2019	0.788	1.628	3.125
A 2020	0.751	1.939	3.164
A 2021	0.727	1.926	3.115
A 2022	0.794	1.570	3.268
F 2023	0.802	1.585	3.297
F 2024	0.808	1.597	3.324
F 2025	0.815	1.611	3.351
F 2026	0.822	1.625	3.382
F 2027	0.829	1.639	3.410

## Revenue Projection





## 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.

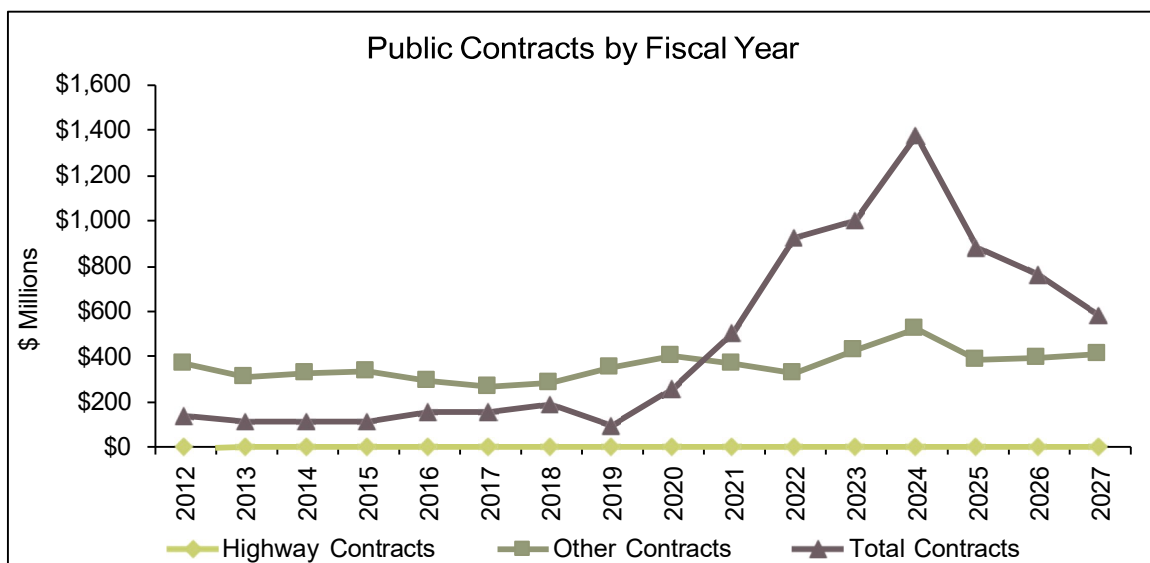
### Forecast Risks

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

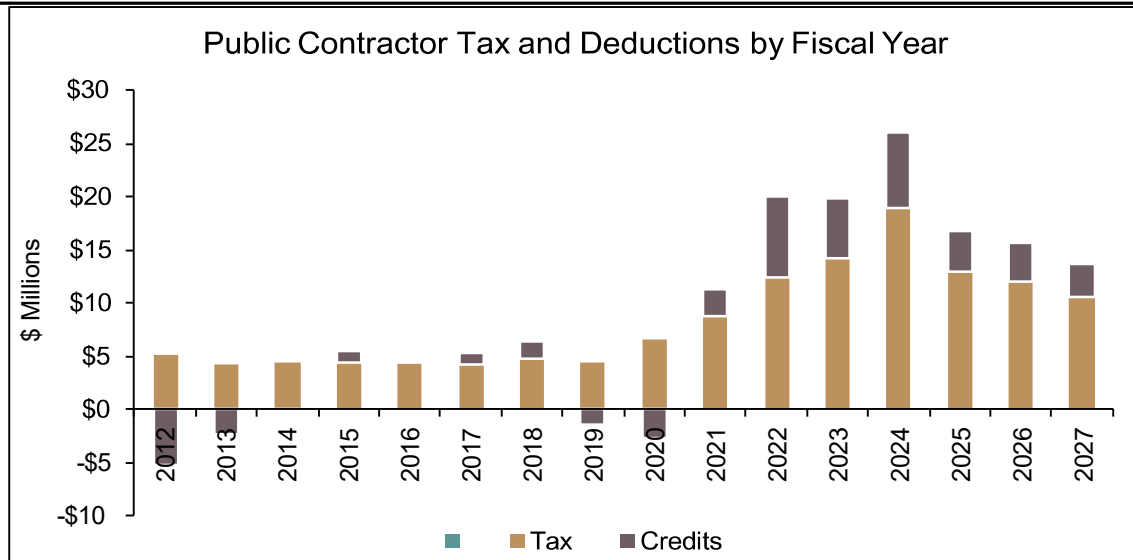
### Revenue Estimate Methodology

#### 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.

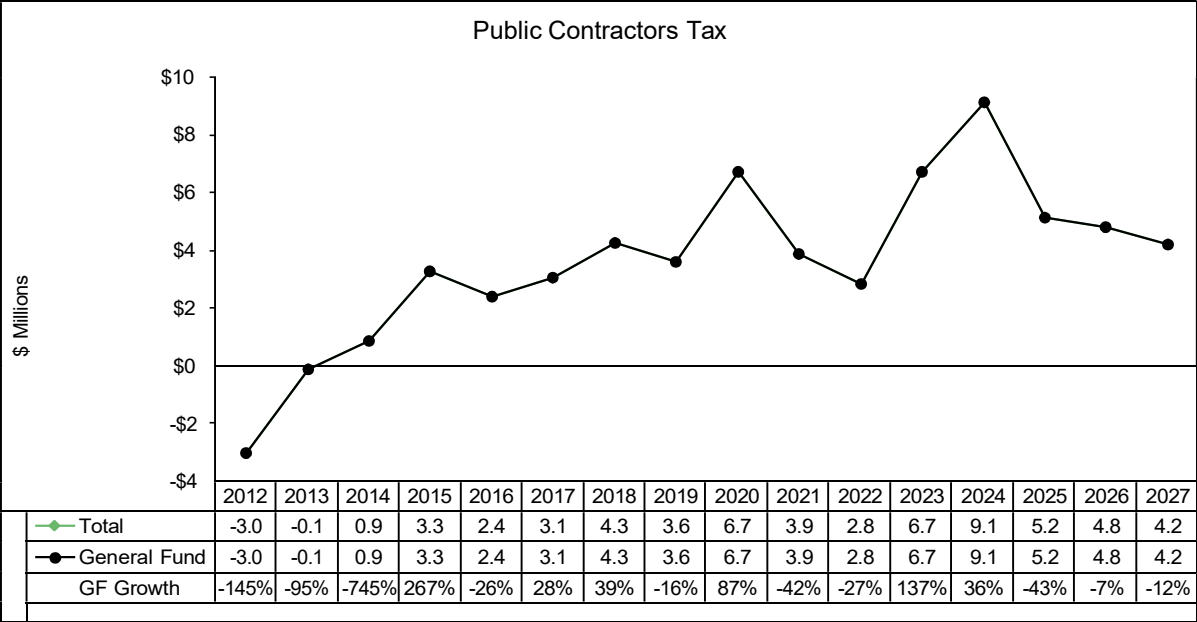
#### Analysis

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.

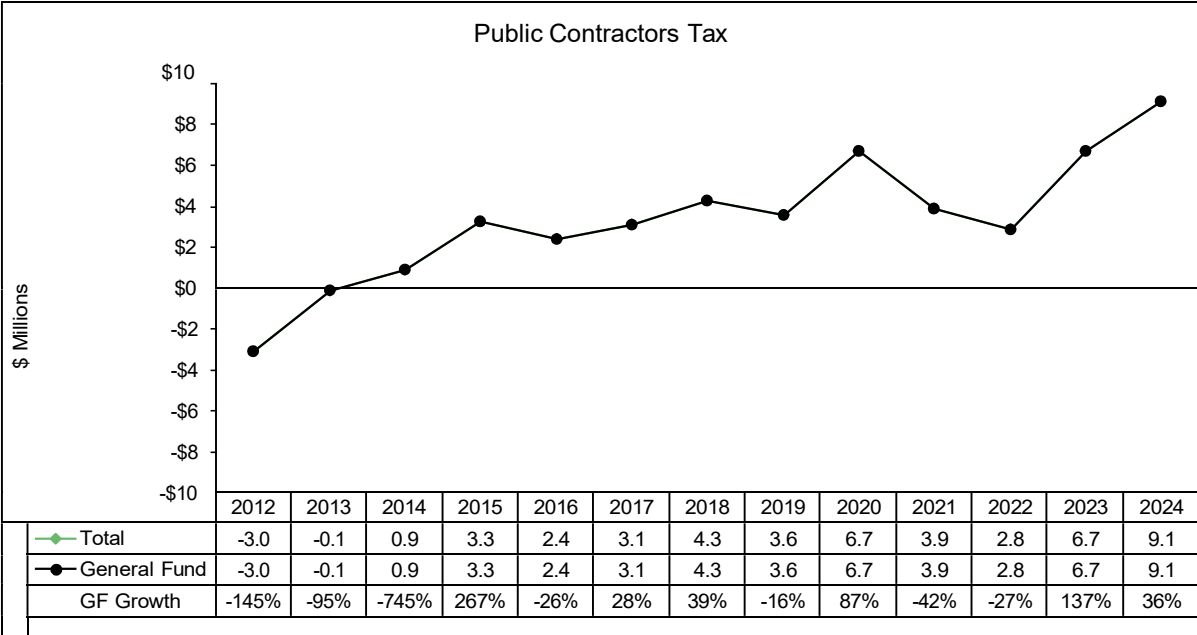
#### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Gross Tax \$ Millions	Credits & Refunds \$ Millions	Highway Payments \$ Millions	Other Contracts \$ Millions
A 2014	\$0.887	\$0.887	\$4.407	\$3.520	\$2.350	\$115.932
A 2015	3.257	3.257	4.481	1.224	2.367	112.452
A 2016	2.397	2.397	4.481	2.084	2.382	152.845
A 2017	3.078	3.078	4.188	1.110	2.427	151.813
A 2018	4.267	4.267	4.703	0.436	2.481	185.642
A 2019	3.597	3.597	4.486	(0.888)	2.533	97.281
A 2020	6.729	6.729	6.539	0.189	2.573	253.593
A 2021	3.897	3.897	8.743	(4.845)	2.631	501.848
A 2022	2.840	2.840	12.492	(9.656)	2.820	921.890
A 2023	6.733	6.733	14.283	(7.550)	2.997	999.204
A 2024	9.125	9.125	19.028	(9.905)	3.096	1,382.127
F 2025	5.163	5.163	12.908	(7.745)	3.160	880.859
F 2026	4.812	4.812	12.030	(7.218)	3.245	761.178
F 2027	4.231	4.231	10.578	(6.347)	3.332	582.003
F 2028	4.469	4.469	11.173	(6.704)	3.398	635.777
F 2029	4.752	4.752	11.879	-7.128	3.476	692.044



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.

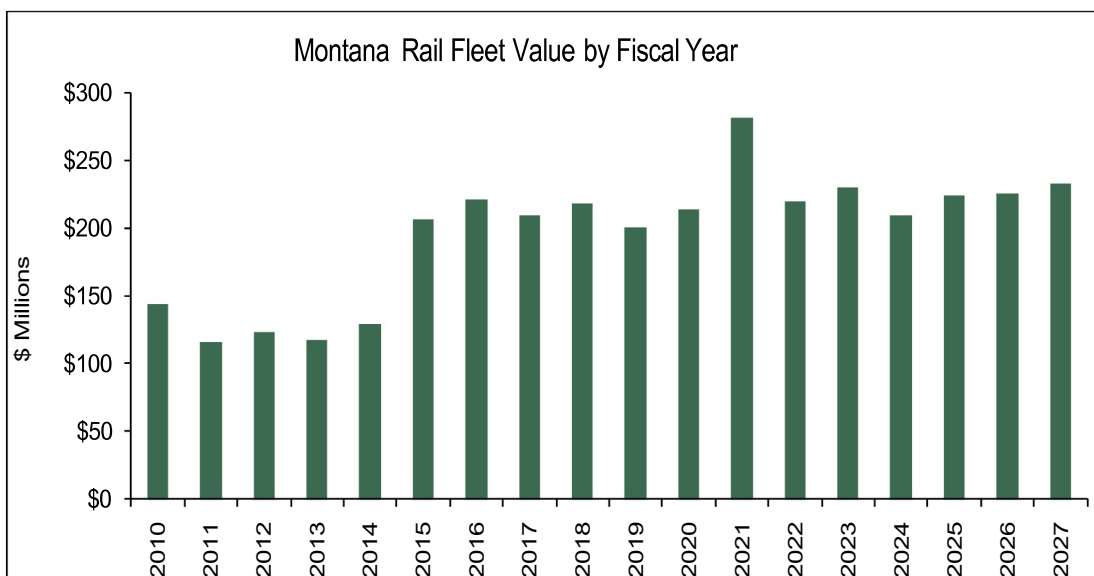
### Forecast Risks

- 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 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 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.

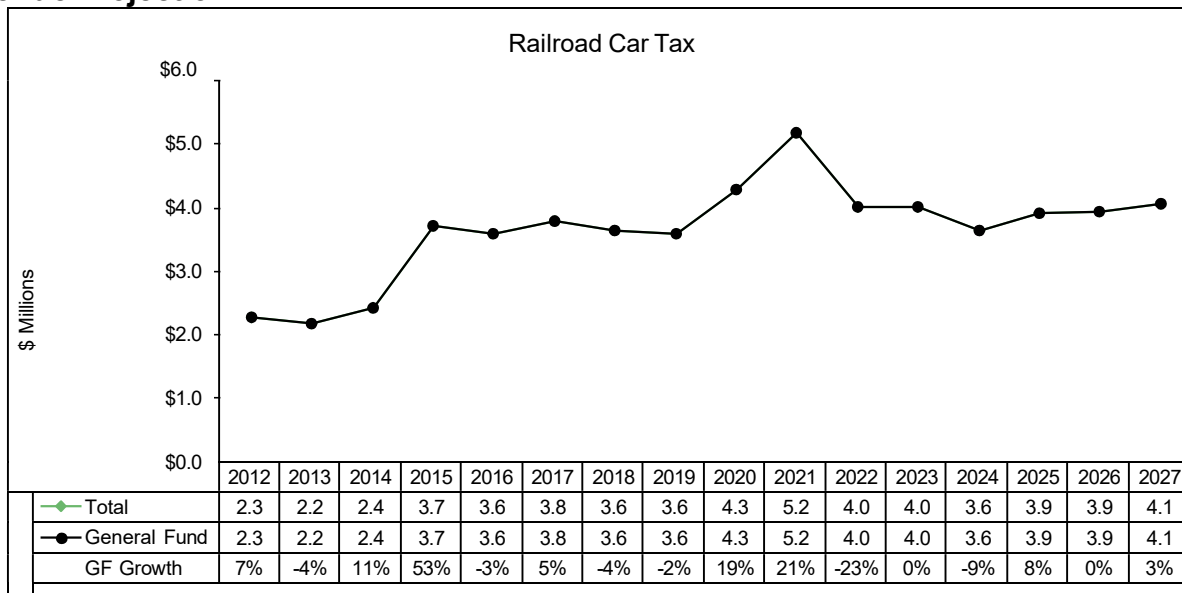
**Revenue Estimate Assumptions**

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

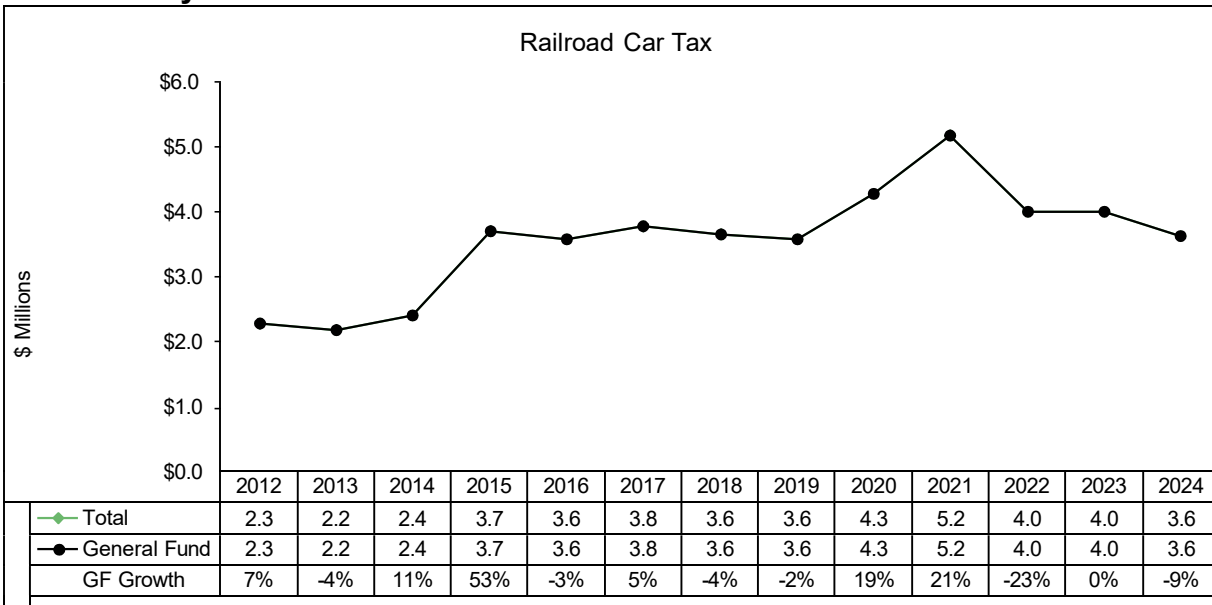
FY	Total Tax \$ Millions	GF Tax \$ Millions	Total MV of Fleet \$ Millions	MT Allocation Percent	Tax Rate	Mills	Montana Retail Sales \$ Millions
A 2014	\$2.42	\$2.42	\$15,610.44	0.44%	3.39%	0.538	\$15,610
A 2015	3.71	3.71	16,092.50	0.60%	3.28%	0.536	16,092
A 2016	3.59	3.59	16,632.48	0.59%	2.97%	0.545	16,632
A 2017	3.79	3.79	17,019.69	0.51%	3.04%	0.538	17,020
A 2018	3.65	3.65	16,722.14	0.47%	3.07%	0.546	16,722
A 2019	3.59	3.59	17,084.60	0.46%	3.12%	0.557	17,085
A 2020	4.29	4.29	17,234.59	0.48%	3.20%	0.583	17,235
A 2021	5.19	5.19	17,393.02	0.54%	3.20%	0.580	17,393
A 2022	4.02	4.02	17,732.20	0.45%	3.12%	0.583	17,732
A 2023	4.01	4.01	20,455.95	0.45%	3.06%	0.568	20,456
A 2024	3.64	3.64	23,448.39	0.45%	3.06%	0.569	23,448
F 2025	3.92	3.92	24,201.43	0.45%	3.06%	0.569	24,201
F 2026	3.93	3.93	24,262.99	0.45%	3.06%	0.569	24,263
F 2027	4.05	4.05	24,951.66	0.45%	3.06%	0.569	24,952
F 2028	4.22	4.22	25,890.21	0.45%	3.06%	0.569	25,890
F 2029	4.40	4.40	26,891.50	0.45%	3.06%	0.569	26,891

## Business and Personal Taxes Revenue Projection

## Railroad Car Tax



## 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 S&P Global.

#### 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.

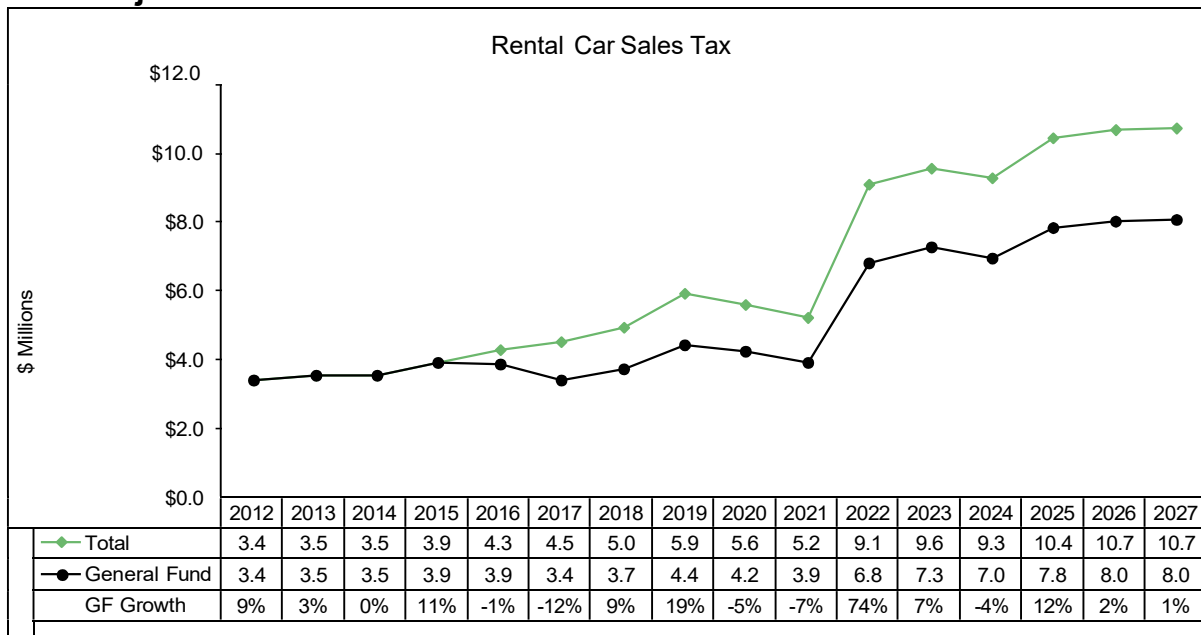
## Business and Personal Taxes Revenue Estimate Assumptions

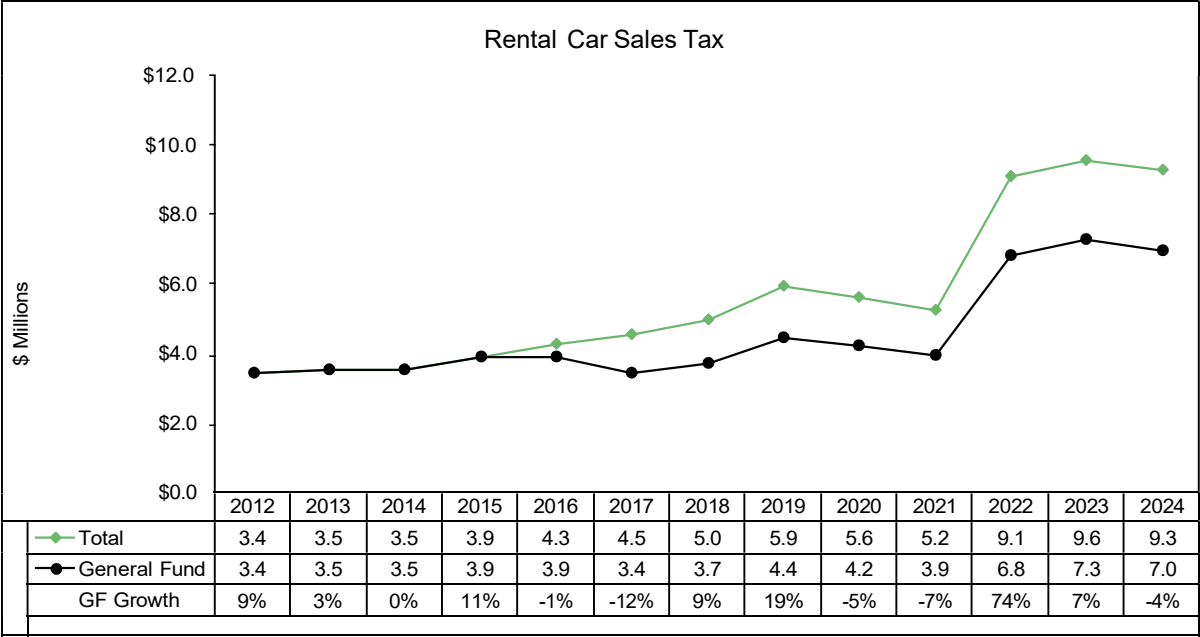
## Rental Car Sales Tax

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Proxy Sales \$ Millions	MT PCE Transportation \$ Millions
A 2014	\$3.521	\$3.521	\$88.033	\$1,168.163
A 2015	3.907	3.907	97.669	1,229.044
A 2016	4.269	3.878	106.736	1,263.866
A 2017	4.536	3.402	113.406	1,333.587
A 2018	4.959	3.719	123.965	1,429.329
A 2019	5.908	4.431	147.691	1,503.096
A 2020	5.617	4.224	140.415	1,515.273
A 2021	5.221	3.916	130.519	1,545.521
A 2022	9.097	6.823	227.427	2,201.835
A 2023	9.573	7.270	239.321	2,344.063
A 2024	9.296	6.972	232.393	2,454.621
F 2025	10.436	7.827	260.898	2,654.424
F 2026	10.676	8.007	266.907	2,707.377
F 2027	10.732	8.049	268.288	2,719.546
F 2028	10.827	8.120	270.683	2,740.657
F 2029	11.086	8.314	277.140	2,797.566

## Revenue Projection





**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**

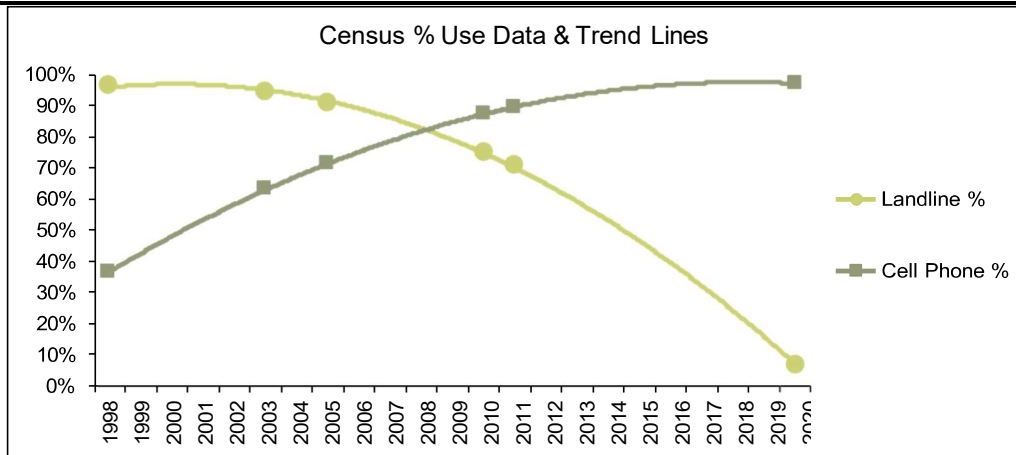
- Changing rate of landline usage
- Changing market share of prepaid smartphones, which are not taxable

**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 S&P Global 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 revenue estimates contained in House Joint Resolution 2.

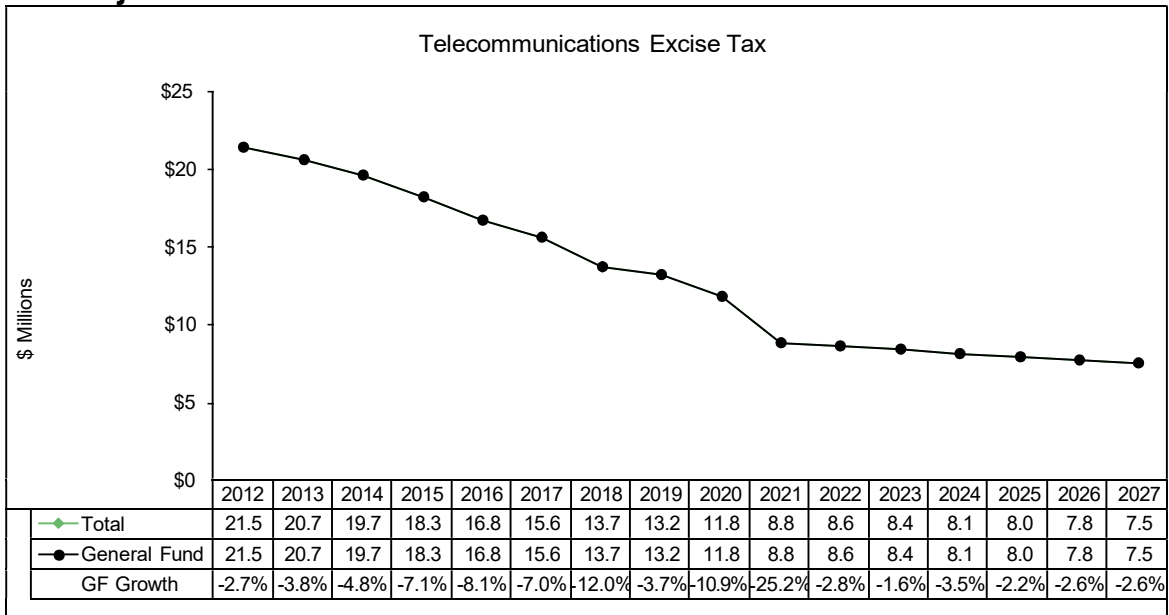
FY	Total Tax \$ Millions	GF Tax \$ Millions	Proxy Sales \$ Millions	Calculated Landline % Calendar	Calculated Cell Phone % Calendar	Prepaid Smartphone % Calendar	Taxable Cell Phone % Calendar
A 2014	\$19.657	\$19.657	\$523.635	62%	93%	26%	69%
A 2015	18.257	18.257	486.114	57%	94%	30%	66%
A 2016	16.775	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%
A 2023	8.436	8.436	224.924	18%	96%	40%	58%
A 2024	8.139	8.139	216.905	11%	96%	40%	58%
F 2025	7.960	7.960	-	5%	96%	40%	58%
F 2026	7.755	7.755	-	5%	96%	40%	58%
F 2027	7.550	7.550	-	5%	96%	40%	58%
F 2028	7.345	7.345	-	5%	96%	40%	58%
F 2029	7.139	7.139	-	5%	96%	40%	58%

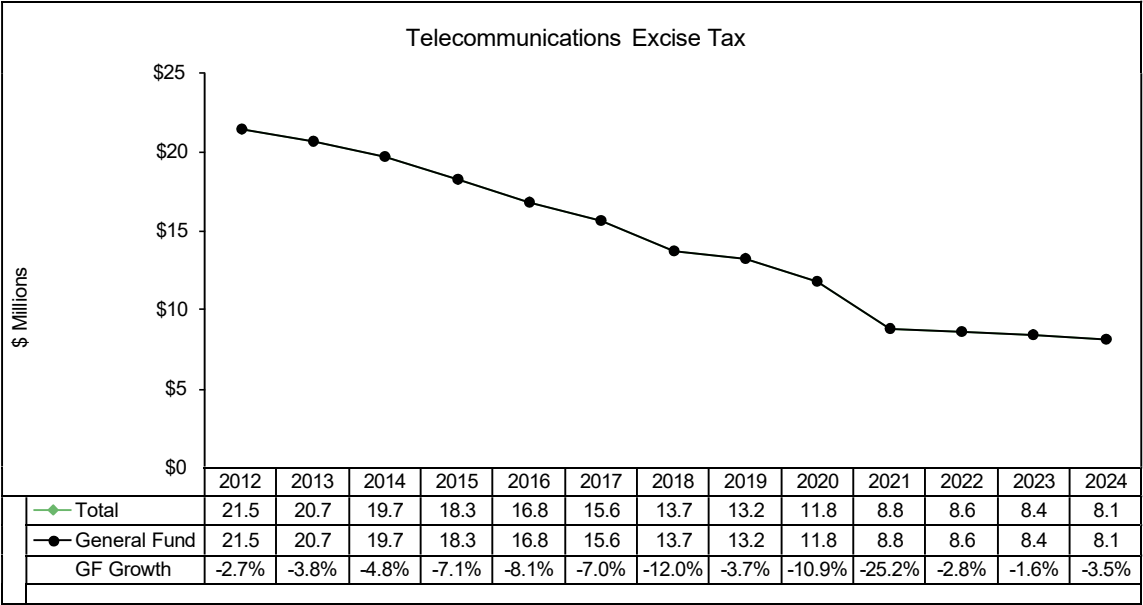
## Business and Personal Taxes

## Telecommunications Excise Tax

		Calculated Total % FY Calendar	Calculated Total % Fiscal	MT Pop. Age >=16 Millions	Calculated Tax. Phones Millions	Trend Taxable Sales \$ Millions
A 2014		131%	135%	0.820	1.107	\$498.915
A 2015		123%	127%	0.828	1.051	467.942
A 2016		118%	120%	0.837	1.008	444.676
A 2017		109%	113%	0.847	0.962	419.026
A 2018		104%	107%	0.857	0.914	392.645
A 2019		99%	102%	0.866	0.881	374.482
A 2020		94%	96%	0.876	0.845	354.546
A 2021		88%	91%	0.891	0.808	334.097
A 2022		82%	85%	0.908	0.769	313.062
A 2023		76%	79%	0.922	0.726	288.906
A 2024		69%	72%	0.934	0.675	261.051
F 2025		62%	66%	0.945	0.620	212.279
F 2026		63%	62%	0.955	0.596	206.805
F 2027		63%	63%	0.965	0.604	201.331
F 2028		63%	63%	0.973	0.609	195.857
F 2029		63%	63%	0.981	0.614	190.384

## Revenue Projection





## 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

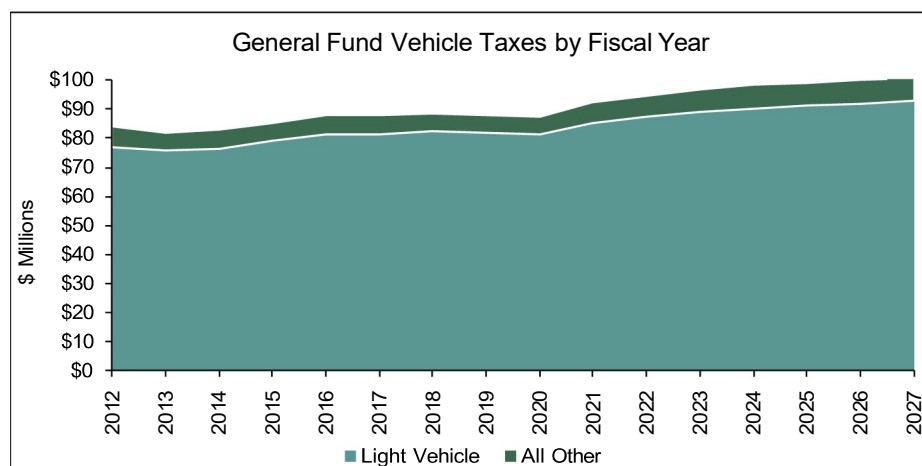
### Revenue Estimate Methodology

#### Data

The data used to estimate the motor vehicle tax are obtained from SABHRS and S&P Global.

#### 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

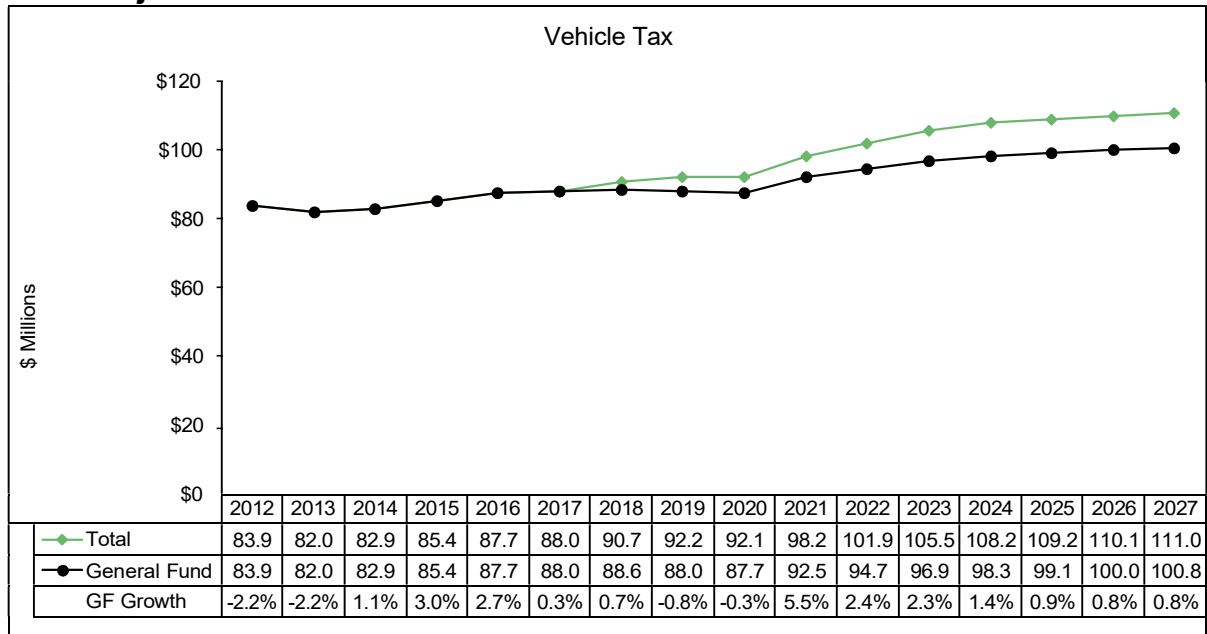
With constant fees, the future change in vehicle tax revenue results from changes in the vehicle stock in Montana. Growth rates for the stock of Montana vehicles are modeled on S&P Global estimates for the national and Montana-specific vehicle stock and new car sales nationwide. The growth rate is applied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

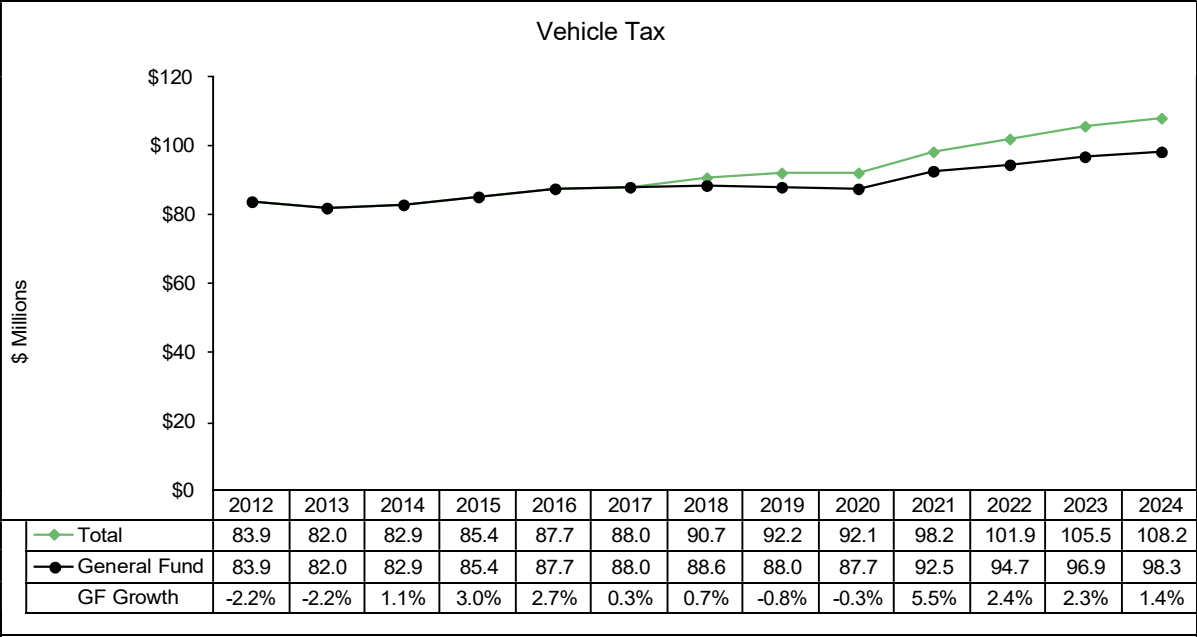
### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

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 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	2.033
A 2019	92.166	87.955	2.753	2.097	81.693	1.411	4.212
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	2.597	87.293	1.801	7.201
A 2023	105.537	96.919	3.110	2.744	89.204	1.861	8.618
A 2024	108.229	98.255	3.288	2.797	90.386	1.784	9.974
F 2025	109.195	99.132	3.317	2.822	91.193	1.800	10.063
F 2026	110.111	99.966	3.345	2.846	91.961	1.815	10.144
F 2027	111.011	100.782	3.372	2.869	92.711	1.830	10.229
F 2028	111.928	101.607	3.400	2.893	93.470	1.845	10.321
F 2029	112.798	102.390	3.426	2.915	94.190	1.859	10.409

### Revenue Projection

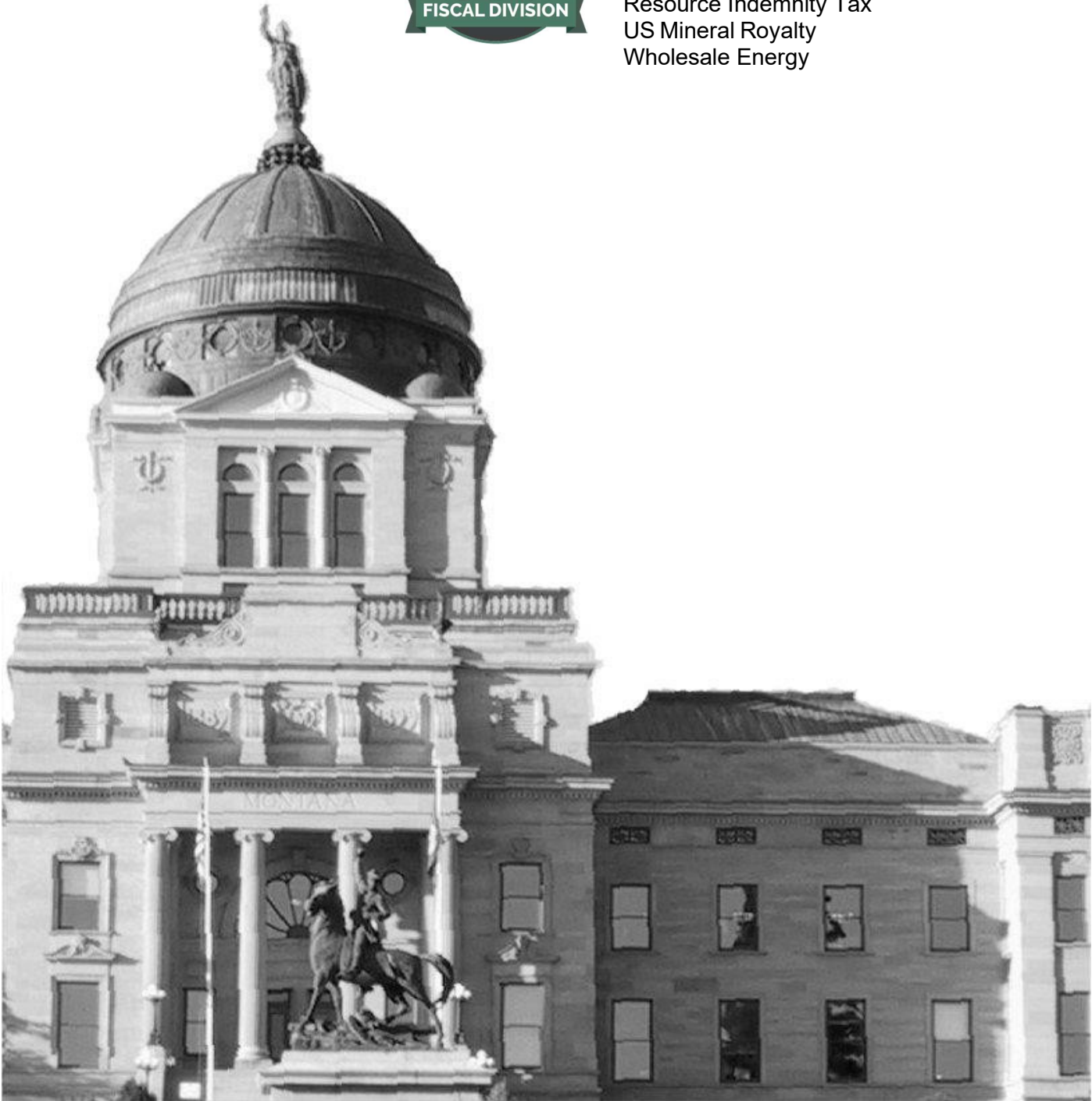




# NATURAL RESOURCE TAXES



Coal Severance Tax  
Electrical Energy Tax  
Federal Forest Receipts  
Metalliferous Mines Tax  
Oil & Natural Gas Production Tax  
Resource Indemnity Tax  
US Mineral Royalty  
Wholesale Energy



## Coal Severance Tax

### Revenue Description

For large producers, the coal severance tax is imposed on all coal production, except that on reservations, in excess of 20,000 tons per company per calendar year. Producers of 50,000 tons or less in any calendar year are exempt from the tax.

### Statutory Reference

Tax Rate – [15-35-103, MCA](#)

Tax Distribution – [Montana Constitution, Article IX, Section 5](#); [15-35-108, MCA](#); [17-5-703, MCA](#)

Date Due – Thirty days following the close of the quarter ([15-35-104, MCA](#))

### Applicable Tax Rates

10% on the value of surfaced mined coal with a heating quality < 7,000 BTU

15% on the value surfaced mined coal with a heating quality ≥ 7,000 BTU

3% on the value underground mined coal with a heating quality < 7,000 BTU

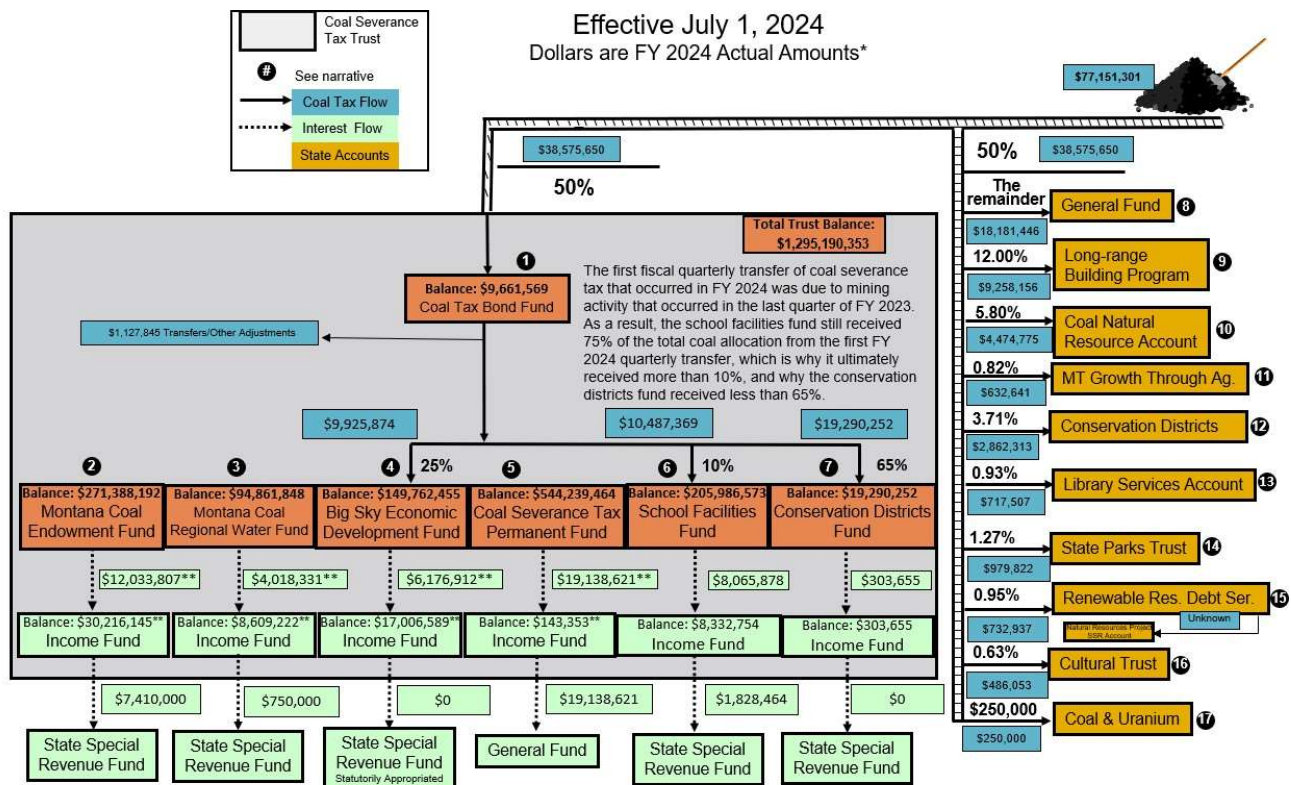
4% on the value underground mined coal with a heating quality ≥ 7,000 BTU

3.75% on the value of auger mined coal with a heating quality < 7,000 BTU

5% on the value of auger mined coal with a heating quality ≥ 7,000 BTU

**Collection Frequency:** Quarterly

### Distribution



## **Natural Resource Taxes**

## **Coal Severance Tax**

As directed by [Article IX, Section 5](#) of the Montana Constitution, the coal severance tax trust fund receives 50% of total coal severance tax collections. The money flows through sub-trust funds within the trust. These sub-trusts are:

### **1) Coal Tax Bond Fund ([Title 17, Chapter 5, Part 7](#))**

The legislature authorizes the sale of coal severance tax bonds to finance renewable resource projects ([Title 85, Chapter 1, Part 6](#)) and local government infrastructure projects ([Title 90, Chapter 6, Part 7](#)). A maximum of \$250 million in bonds is authorized as loans for renewable resource projects ([17-5-719, MCA](#)) to provide:

- a healthy economy;
- alleviation of social and economic impacts created by coal development; and
- a clean and healthful environment

The total amount of outstanding principal of renewable resource bonds at any time cannot exceed \$30 million ([85-1-624, MCA](#)). An amount equal to the following year's principal and interest payments is maintained in the fund. Money in the fund is pledged to pay the debt service on the bonds if interest and principal payments by the loan recipients are insufficient to fully pay the debt service. Bonds are authorized, projects approved, loan rates established, and bond proceeds are appropriated by the legislature to the Department of Natural Resources and Conservation (DNRC) in HB 8.

### **2) Montana Coal Endowment Fund ([Title 90, Chapter 6, Part 7](#))**

In June 1992, the voters approved a legislative referendum establishing the treasure state endowment program. Initially funded with \$10 million from the permanent fund, the fund received 75% (37.5% of the total) of the remaining coal severance tax revenue after deposits (if any) to the coal tax bond fund and the school bond contingency loan fund (HB 44 in the 2007 session eliminated this fund) through the 2003 biennium. From then through FY 2016, the fund received 50% (25% of the total). Projects are approved and interest earnings from the fund are appropriated to the Department of Commerce by the legislature in House Bill 11 as grants for local government infrastructure projects. The deposit of coal severance tax revenue into this fund terminated at the end of FY 2016. In the 2021 Legislative Session, [SB 258](#) changed the name of this fund to the Montana Coal Endowment Fund.

### **3) Montana Coal Endowment Regional Water System Fund**

The treasure state endowment program was established in [SB 220 \(1999 Session\)](#) to fund regional water system projects. Projects are restricted to drinking water systems that provide water for domestic, industrial, and stock water use for communities and rural residences that lie in specific north central and northeastern geographic areas. Projects are approved and interest earnings from the fund are appropriated to the Department of Natural Resources and Conservation by the legislature in HB 11 as grants for local government infrastructure projects. Until the end of FY 2016, the fund received 25% (12.5% of the total) of the remaining coal severance tax revenue after deposits in the coal tax bond fund. The deposit of coal severance tax revenue into this fund terminated at the end of FY 2016, and the fund terminates at the end of FY 2031. In the 2021 Legislative Session, [SB 258](#) changed the name of this fund to the Montana Coal Endowment Regional Water Fund.

### **4) Big Sky Economic Development Fund**

The big sky economic development program was established by [HB 249 \(2005 Session\)](#) to fund qualified economic development projects. The fund receives 25% (12.5% of the total) of the remaining coal severance tax revenue after deposits in the coal tax bond fund. The deposit of coal severance tax revenue to this fund terminates at the end of FY 2035.

Grants and loans are available to local governments for economic development projects and to certified regional development corporations for the purposes of:

- 1) creating good-paying jobs for Montana residents;
- 2) promoting long-term, stable economic growth;
- 3) encouraging local economic development organizations; and



**4) retaining or expanding existing businesses**

Interest earnings are deposited to a state special revenue fund and are statutorily appropriated to the Department of Commerce to pay administrative expenses with the remainder for:

- 75% to local governments to be used for job creation; and
- 25% to certified regional development corporations and economic development organizations

**5) Permanent Fund**

Prior to the establishment of the previous four funds, all the coal severance tax revenue distributed to the trust fund was deposited to the permanent fund. From FY 2006 to FY 2016 no coal severance tax revenue was deposited to the fund. In FY 2017, the permanent fund received 75% of the remaining coal severance tax revenue after deposits in the coal tax bond fund. Interest earnings from the fund, audit revenue, and interest and penalties are deposited to the general fund. After a \$1.275 million general fund transfer to the research and commercialization account created in [90-3-1002](#), the remaining interest income from the permanent fund deposited into the general fund is statutorily appropriated as follows:

- \$65,000 to the cooperative development center;
- \$900,000 for the growth through agriculture program provided for in [Title 90, chapter 9](#);
- \$600,000 for the Montana food and agricultural development program
- to the Department of Commerce for specific projects:
  - \$325,000 for a small business development center;
  - \$50,000 for a small business innovative research program;
  - \$625,000 for certified regional development corporations;
  - \$500,000 for the Montana manufacturing extension center at MSU-Bozeman; and
  - \$300,000 for export trade enhancement
- After the above payments, the remainder is deposited into the state general fund.

**6) School Facilities Fund**

The school facilities fund was created with the passage of [SB 260 \(2017 Session\)](#). Interest from the fund may be used only for school facility projects authorized by the legislature. Beginning in FY 2018, the school facilities fund began receiving 75% of the coal tax allocation to the coal trust fund. With the passage of [HB 321 \(2023 Session\)](#), the allocation was reduced to 10% after a general fund transfer was made to the fund to bring the balance to \$200 million. The school facilities fund will continue to receive 10% of the coal tax allocation until the fund balance reaches \$300 million.

**7) Conservation District Fund**

[HB 321 \(2023 Session\)](#) created the Conservation Districts Fund. Beginning in FY 2024, this fund began receiving 65% of the coal tax allocation to the coal trust fund. Once the balance of this fund reaches \$100 million, the 65% allocation will revert to a newly created Coal Board Fund.

**Coal Severance Tax Related Funds**

The other 50% of the coal severance tax revenue is distributed to the following funds outside of the coal severance tax trust fund ([15-35-108, MCA](#))

**8) General Fund (the remainder after all other allocations)**

After allocations are made to the coal trust and state special funds, the remaining coal severance tax collections are distributed to the state general fund.

**9) Long-range Building Program Account (12.00%)**

Coal severance tax revenue in this account can be used for long-range building projects or for general obligation bond debt service. The legislature appropriates the money in HB 5 to finance building projects at universities, vocational education institutions, state buildings and state institutions. Debt service payments are statutorily appropriated and are currently servicing debt for capitol restoration, the UM

## **Natural Resource Taxes**

## **Coal Severance Tax**

pharmacy and psychology, and chemistry buildings, MSU central heating plant and underground utilities, Montana state prison expansion, and regional correctional facilities.

### **10) Coal Natural Resource Account (5.80%)**

Created in [HB 758 \(2005 Session\)](#) and amended by [SB 23 \(2009 Session\)](#), the account receives a portion of the coal severance tax revenue. Money in the account is appropriated to the coal board in HB 2 for local impact grants and administrative costs. Due to [SB 100 \(2009 Session\)](#), the coal tax allocation was doubled to 5.80% beginning FY 2010. After September 2013, the allocation decreased to 2.9% but has been routinely increased to 5.80%. The allocation was increased to 5.80% until FY 2024, with the passage of [HB 292 \(2019 Session\)](#). [HB 248 \(2023 Session\)](#) set the allocation at 5.80% indefinitely.

### **11) MT Growth through Agriculture (0.82%)**

Beginning in FY 2018, what was formerly known as the coal shared account was divided into three separate funds. One of these funds, MT Growth through Agriculture, loans money to businesses for agricultural development projects that stimulate agriculture.

### **12) Conservation Districts (3.71%)**

Another entity that received funds from the old coal shared account was the Montana Conservation Districts. These funds are used to promote natural resource conservation in Montana.

### **13) Library Services Account (0.93%)**

The third program that received funds from the coal shared account was library services. This portion of coal severance taxes is used to assist local libraries in providing basic services.

### **14) State Parks Trust (1.27%)**

The distribution to this trust is for the purpose of parks acquisition or management. Interest earnings from the trust is appropriated to the Department of Fish, Wildlife, and Parks (FWP) by the legislature in HB 2 and HB 5 for the acquisition, development, operation, and maintenance of state parks, recreational areas, public camping grounds, historic sites, and monuments.

### **15) Renewable Resource Debt Service Fund (0.95%)**

Money in this fund is used to service debt on coal severance tax bonds used to finance renewable resource projects. This is in addition to any coal tax paid from the Coal Tax Bond Fund (1 above). Bonds are authorized, projects approved, loan rates established, and bond proceeds are appropriated by the legislature to DNRC in HB 8.

### **16) Cultural Trust (0.63%)**

The distribution to this trust is for the purpose of protecting works of art in the capitol and for other cultural and aesthetic projects. Interest earnings from the trust are appropriated to the Montana Arts Council by the legislature in HB 9 for these purposes.

### **17) Coal and Uranium Mine Permitting and Reclamation Program (\$250,000)**

Enacted by [HB 688 \(2007 Session\)](#), coal severance tax revenue is deposited to the state special revenue account and appropriated in HB 2 to the Department of Environmental Quality (DEQ) to administer and enforce coal and uranium mine reclamation ([82-4-244, MCA](#)).

## **Forecast Risks**

- Energy prices
- Production and shipping costs
- Type of coal (BTU)
- Length of company contracts
- Decreased demand domestically

## Natural Resource Taxes

### Revenue Estimate Methodology

## Coal Severance Tax

#### Data

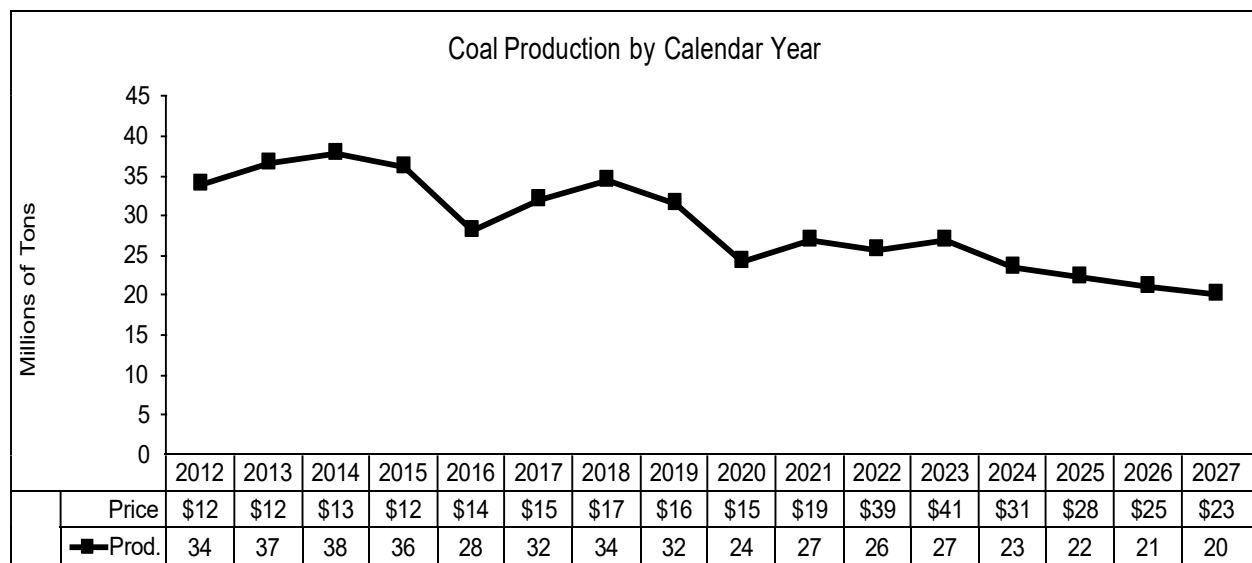
The estimate for this revenue source is based on collection data from SABHRS, historical price and production data from DOR, and production and price forecasts based on recent trends.

#### Analysis

The taxable value of coal is determined in a three-step process:

1. The future coal production for each company, based upon most recent years' trends.
2. To determine the future price for each company's coal, the company's average contract sales price for the last year is increased or decreased based upon trends over the past decade.
3. The estimated production and price for each company are multiplied together and the product for all companies summed to obtain the total taxable value.

The calendar year taxable value is multiplied by the applicable tax rate to determine total coal severance tax revenue and converted to fiscal year basis.

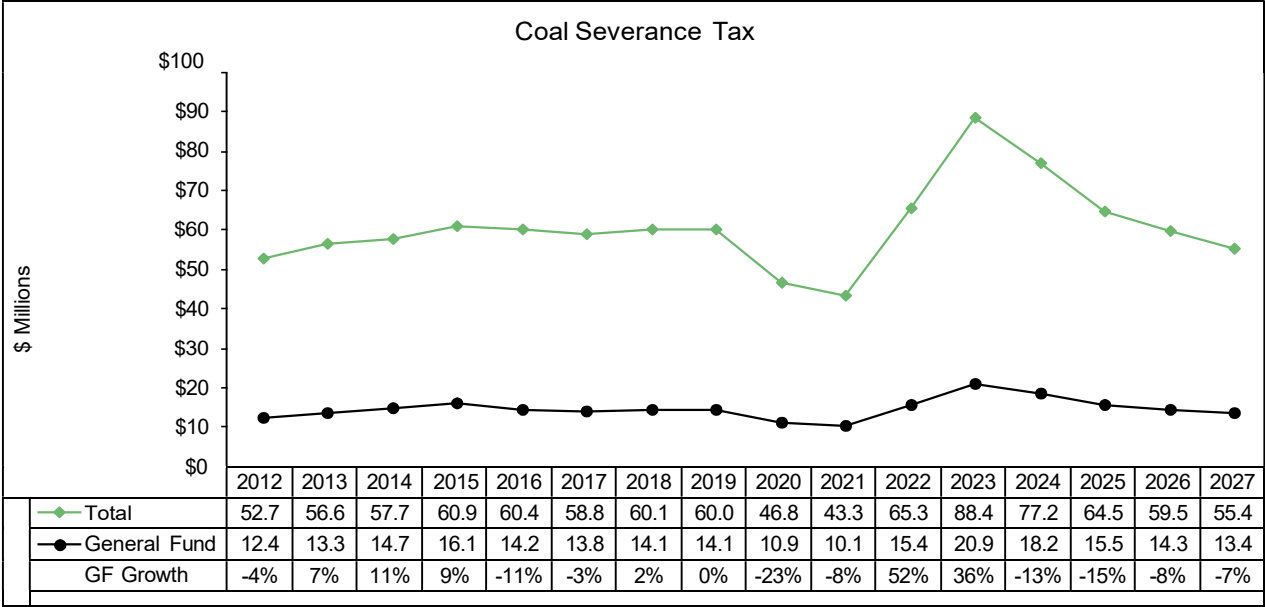


### Revenue Estimate Assumptions

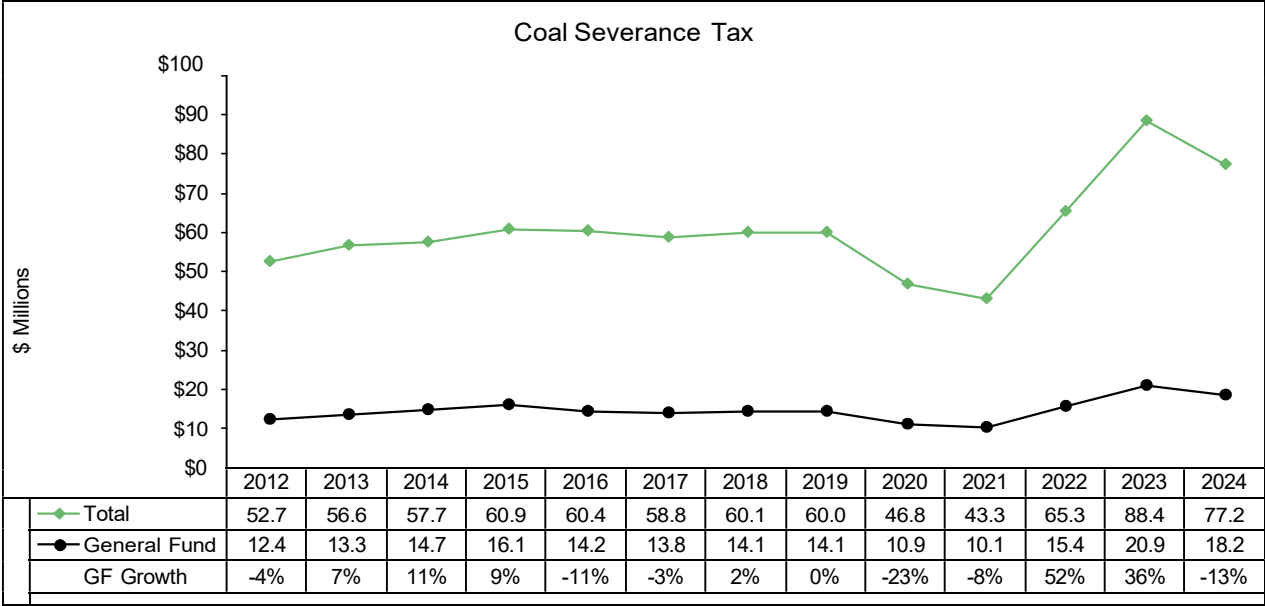
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Tons (CY) Millions	CSP (CY) \$/Ton
A 2014	\$57.676	\$14.745	37.810	\$12.56
A 2015	60.891	16.063	36.075	12.38
A 2016	60.359	14.236	28.089	14.02
A 2017	58.808	13.799	31.987	14.82
A 2018	60.097	14.107	34.311	16.51
A 2019	60.028	14.091	31.543	16.29
A 2020	46.754	10.920	24.301	15.26
A 2021	43.256	10.084	26.875	19.01
A 2022	65.339	15.359	25.794	38.68
A 2023	88.442	20.879	26.853	40.80
A 2024	77.151	18.181	23.467	30.58
F 2025	64.502	15.530	22.294	27.56
F 2026	59.542	14.345	21.179	25.33
F 2027	55.442	13.366	20.120	23.48
F 2028	51.777	12.490	19.114	22.04
F 2029	48.633	11.739	18.159	20.93





Revenue History



## Electrical Energy Tax

### Revenue Description

The electrical energy license tax is imposed on each person or organization engaged in generating, manufacturing, or producing electrical energy in Montana. This tax is in addition to the wholesale energy transaction tax.

### Statutory Reference

Tax Rate – [15-51-101, MCA](#)

Tax Distribution – [17-2-124\(2\), MCA](#); [15-51-103, MCA](#)

Date Due – Thirty days after the end of the calendar quarter ([15-51-101, MCA](#); [15-51-102, MCA](#))

### Applicable Tax Rates

A tax of \$0.0002 per kilowatt-hour is levied against all electrical energy produced within the state. A deduction is allowed for energy used by the plant itself for the production of energy.

**Collection Frequency:** Quarterly

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

### Forecast Risks

- Generation variability

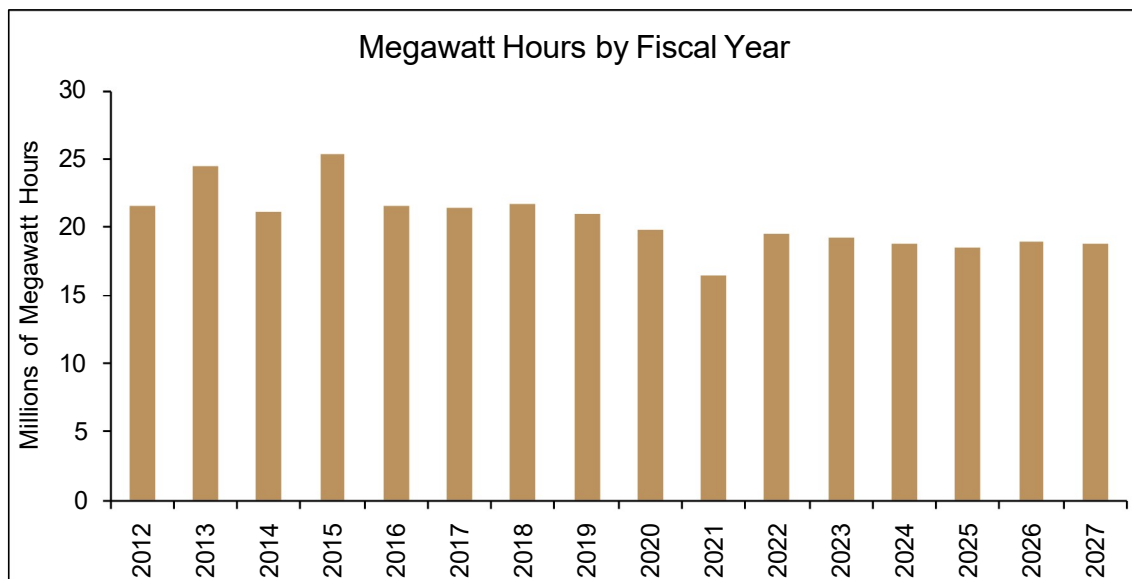
### Revenue Estimate Methodology

#### Data

Data from quarterly reports produced by DOR provide a history of kilowatt hours produced for each individual company.

#### Analysis

Historic data of kilowatt hours are used to trend forecast future kilowatt hours by year. Taxable kilowatt hours are then multiplied by the tax rate to produce total revenue from this source.



## Natural Resource Taxes

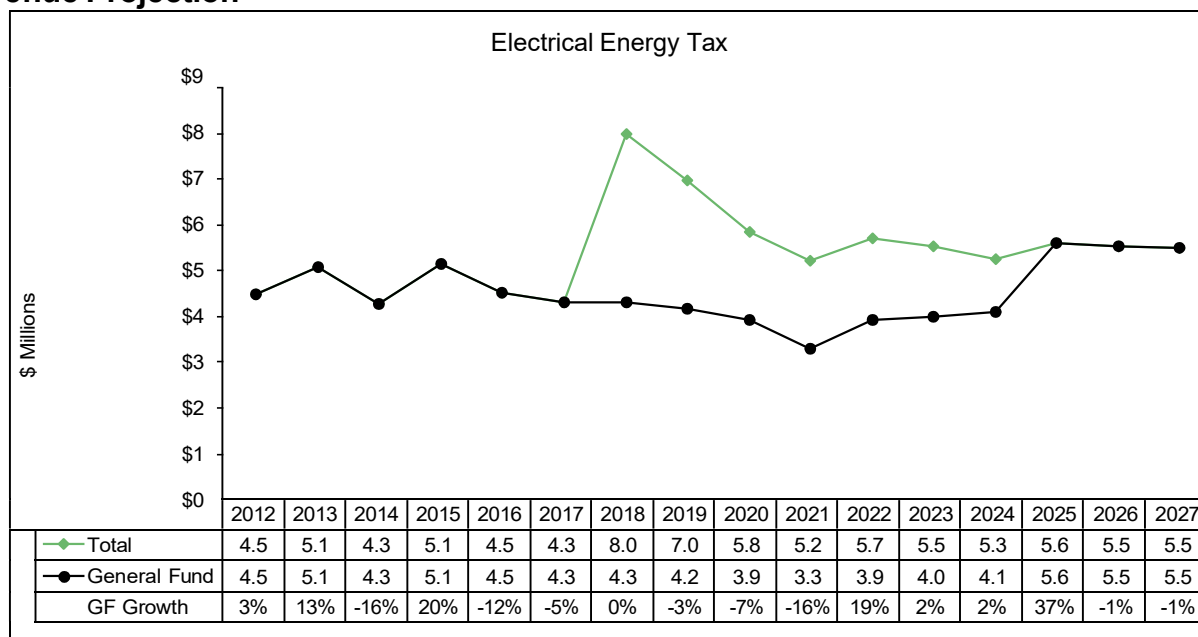
## Electrical Energy Tax

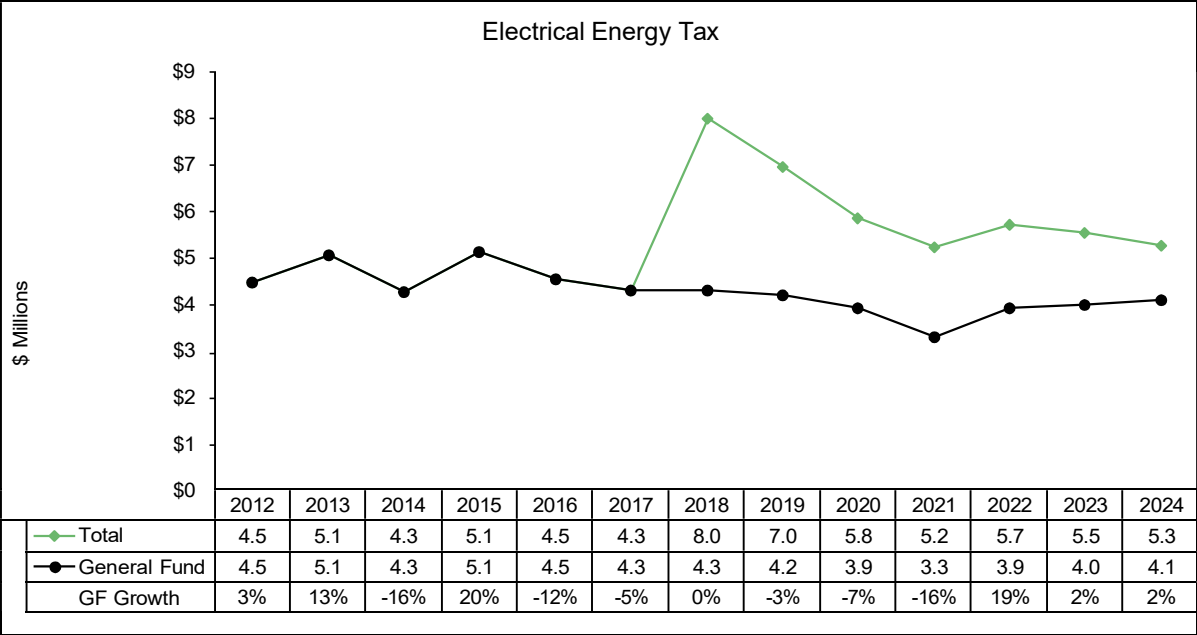
### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

FY	Total Tax \$ Millions	GF Tax \$ Millions	KWH Millions
A 2014	\$4.280	\$4.280	21,139
A 2015	5.133	5.133	25,358
A 2016	4.536	4.536	21,541
A 2017	4.314	4.314	21,368
A 2018	7.997	4.302	21,667
A 2019	6.961	4.185	20,997
A 2020	5.847	3.910	19,863
A 2021	5.223	3.298	16,492
A 2022	5.719	3.930	19,473
A 2023	5.537	4.004	20,474
A 2024	5.253	4.090	20,437
F 2025	5.603	5.603	20,128
F 2026	5.543	5.543	20,347
F 2027	5.512	5.512	20,304
F 2028	5.538	5.538	20,260
F 2029	5.481	5.481	20,303

### Revenue Projection





**Federal Forest Receipts****Revenue Description**

Federal forest receipts are payments from the federal government in lieu of revenues from the sale of forest products of federal land. The federal government authorizes logging operations on forest lands located within the borders of Montana. The sale of timber generates revenue that the federal government shares with the state in the following year. FY 2025 has a significant drop in revenue as [Secure Rural Schools](#) was not extended at the federal level and payments reverted to the formula described below.

**Statutory Reference**

Tax Distribution – [17-3-211, MCA](#); [17-3-212, MCA](#)

Date Due – The state treasurer distributes the funds within thirty days of receiving full payment.

**Applicable Tax Rates:** N/A

**Collection Frequency:** Twice annually (usually October and December)

**Distribution**

The county treasurer apportions federal forest receipts as follows:

- 66.7% to the road fund of the county
- 33.3% to the following county wide accounts, based on the mill ratios of each to total mills in the current year:
  - The county equalization accounts (55 mills)
  - The county transportation account
  - The county retirement accounts

This revenue source represents one component used to calculate total non-levy property tax revenue; this is the 55 mills portion.

**Forecast Risks**

- Timber harvests
- Federal policy on reauthorizing [Secure Rural Schools](#)

**Revenue Estimate Methodology**

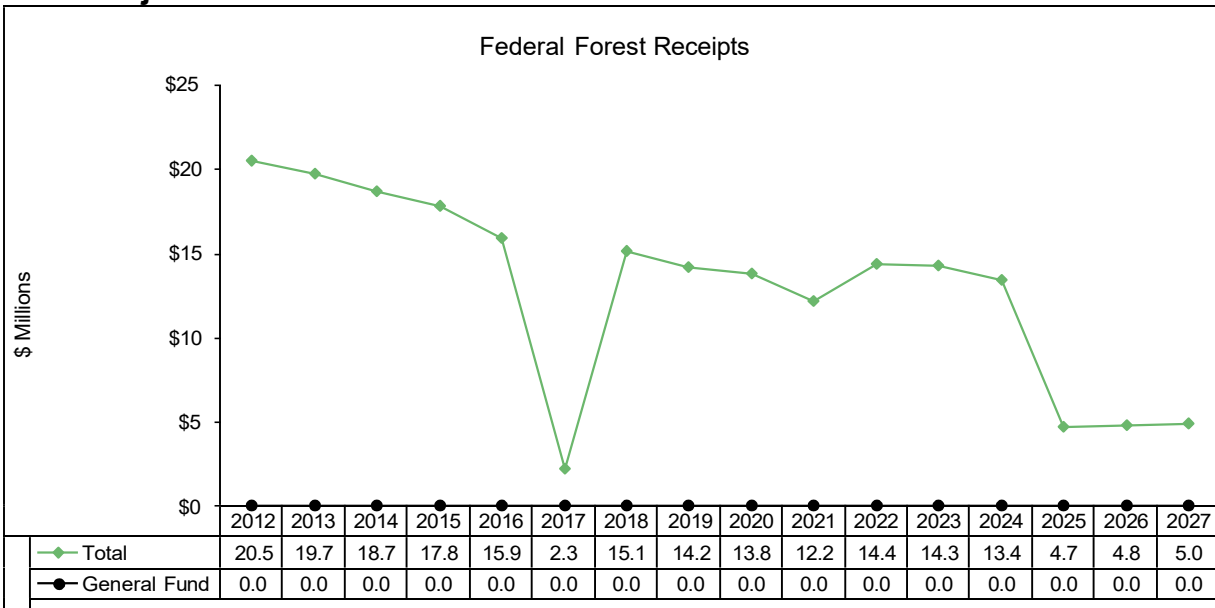
Counties receives 25% of the seven-year rolling average value of timber sold, lagged due to timing of production and payments. The estimate is based on average historical collections. The average state 55 mill share is applied to this and added to non-levy property revenue.

**Revenue Estimate Assumptions**

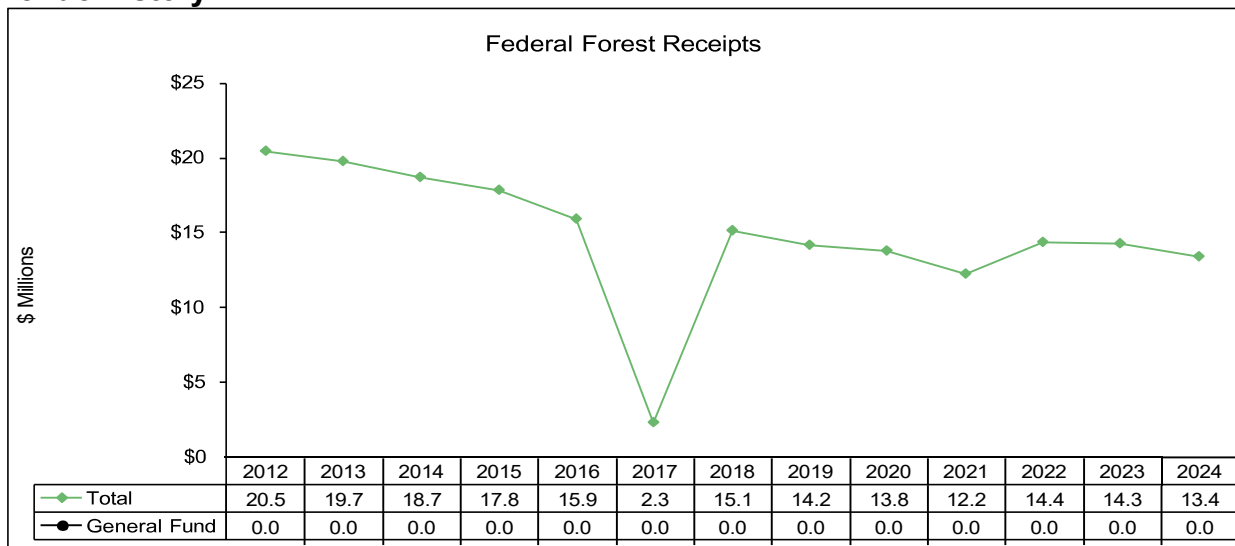
This estimate assumes that [Secure Rural Schools](#) will not be reauthorized for FY 2025.

## Natural Resource Taxes Revenue Projection

## Federal Forest Receipts



## Revenue History



Addendum: The Legislative Fiscal Division has updated the non-levy revenue estimate from federal forest receipts collected through the 55 mills. The previous estimates were incorrect, and federal forest receipt estimates are as follows (in millions of dollars):

FY 2025 - 0.895

FY 2026 - 0.915

FY 2027 - 0.951

FY 2028 - 0.882

FY 2029 - 0.938

Please note that the total estimates for the 95 mill collections and the total non-levy revenue collections estimate are unaffected. This correction is made only for the federal forest receipt line estimate.

## Metalliferous Mines Tax

### Revenue Description

The metalliferous mines license tax is imposed on the production of metals, gems or stones in the state. The tax rate is applied to the gross value of the product, which is defined as the market value of the commodity multiplied by the quantity produced. The first \$250,000 of value is exempt from taxation. A company taxed at both rates can claim both exemptions.

### Statutory Reference

Tax Rate – [15-37-103, MCA](#)

Tax Distribution – [15-37-117, MCA](#); [17-2-124\(2\), MCA](#)

Date Due – August 15<sup>th</sup> for the period January through June, March 31<sup>st</sup> for the period July through December ([15-37-105, MCA](#))

### Applicable Tax Rates

There are two tax rates which depend on the extraction type:

- 1.60% for ore, bullion or matte that is sent to a refinery
- 1.81% for concentrate sent to a smelter, mill or reduction work

The appropriate tax rate is applied to the gross value less allowable deductions and the \$250,000 exemption.

**Collection Frequency:** Biannually

### Distribution

Nearly half of metal mine tax is allocated to the general fund, with impacted counties receiving most of the remaining amount:

- 47% to the general fund
- 8.5% to the hard-rock mining reclamation debt service fund
- 7% to the natural resources operations state special revenue account
- 2.5% to the hard rock mining impact trust account
- 35% impacted counties

### Forecast Risks

- Commodity prices
- Changes to production outlook
- Environmental regulations

### Revenue Estimate Methodology

#### Data

The estimate for this source is based on historical prices from the U.S. Geological Survey, historical revenue collections from SABHRS, and historical price and production data from DOR. Forecast prices are based on World Bank's Commodity Market Outlook.

#### Analysis

Production for each metal type is forecast as a five-year rolling average. Production multiplied by price results in the total gross value for each metal type. Total taxable value is obtained by reducing the total gross value by a time trended value of refining and other costs. The calendar year estimate is obtained by multiplying the total taxable value by the effective tax rate. Since a company's taxable value could be subject to two tax rates—1.81% for concentrates shipped to a smelter, mill or reduction work and 1.6% for dore, bullion, or matte that is shipped to a refinery—an effective tax rate is used to capture both these rates. Calendar year estimates are converted to fiscal year estimates by an equal allocation.

## Natural Resource Taxes

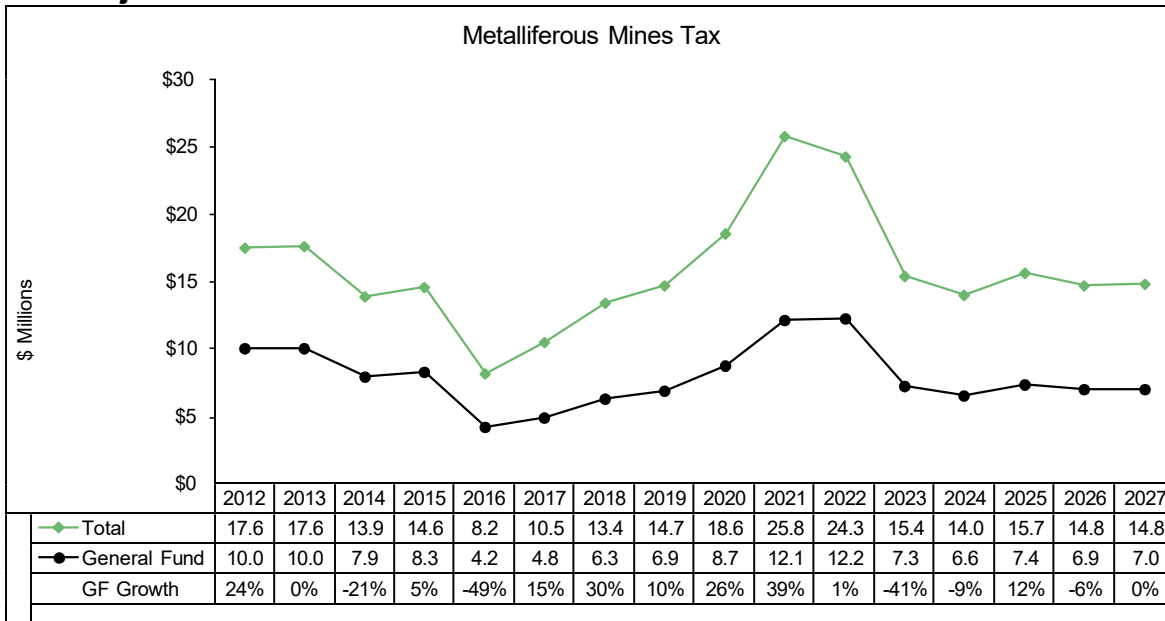
## Metalliferous Mines Tax

### Revenue Estimate Assumptions

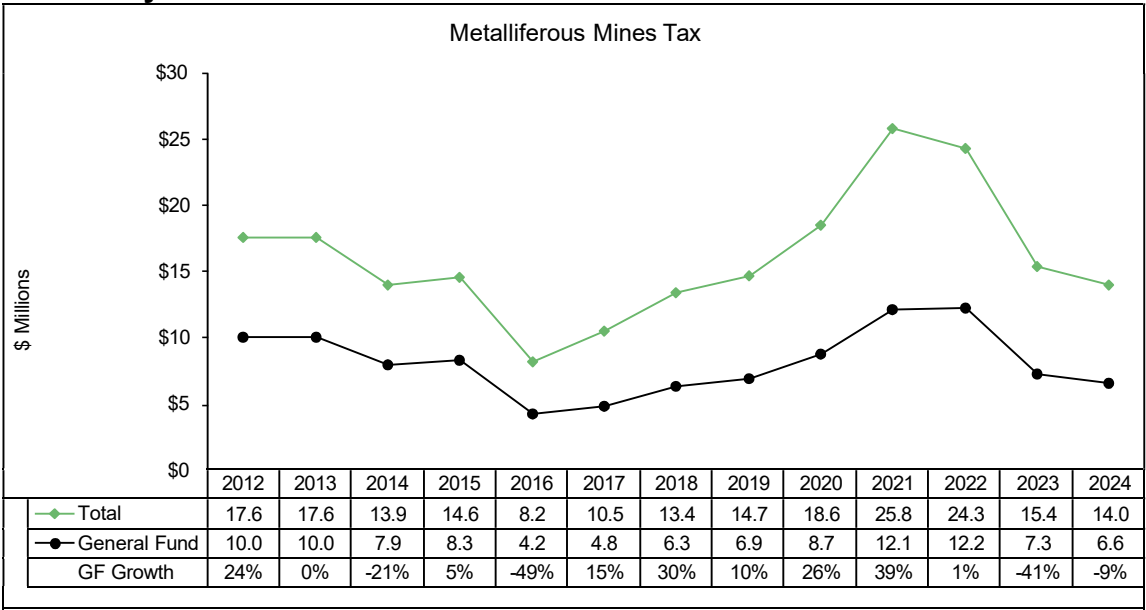
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Net Value CY \$ Millions	Effective CY Rate
A 2014	\$13.943	\$7.948	\$899.995	1.9%
A 2015	14.597	8.320	660.993	1.3%
A 2016	8.164	4.221	609.557	1.5%
A 2017	10.516	4.839	755.910	1.6%
A 2018	13.386	6.291	880.629	1.5%
A 2019	14.695	6.907	1,072.697	1.5%
A 2020	18.562	8.724	1,408.309	1.7%
A 2021	25.821	12.136	1,596.628	1.8%
A 2022	24.340	12.210	1,151.193	1.5%
A 2023	15.428	7.251	902.229	1.5%
A 2024	13.985	6.573	979.072	1.6%
F 2025	15.698	7.378	969.147	1.6%
F 2026	14.755	6.935	940.635	1.6%
F 2027	14.826	6.968	932.229	1.6%
F 2028	15.160	7.125	935.087	1.6%
F 2029	15.654	7.357	957.934	1.6%

### Revenue Projection







**Oil & Natural Gas Production Tax****Revenue Description**

The oil and natural gas production tax is imposed on the production of oil and natural gas in the state. Gross taxable value of oil and natural gas production is based on the type of well and type of production. A portion of the revenue from the tax may be returned to Indian tribes per agreements between DOR and the tribes.

**Statutory Reference**

Tax Rate – [15-36-304, MCA](#); Privilege & license tax – [82-11-131, MCA](#); Administrative Rules [36.72.1242](#)

Tax Distribution – [15-36-331\(4\), MCA](#); [15-36-332\(2&3\), MCA](#)

Date Due – within 60 days after the end of the calendar quarter ([15-36-311\(1\), MCA](#))

**Applicable Tax Rates**

The oil and natural gas production tax has numerous tax rates depending on several factors. The following table shows tax rate percentages for each type of pre- and post-1999 oil, excluding the Privilege & License (P & L) tax and the local impact tax. The P & L and local impact taxes account for less than 0.3% and are shown on the distribution diagram.

**Natural Resource Taxes**
**Oil & Natural Gas Production Taxes**

Oil Tax Rates	
<u>Working Interest</u>	
Primary recovery production	
First 12 months of qualifying production	0.5%
After 12 months for pre-1999 wells	12.5%
After 12 months for post-1999 wells	9.0%
Stripper oil production (>3 and < 15 barrels/day if oil<\$54)	
Post-1999 wells first 10 Barrels per day	5.5%
Pre-1999 wells	9.0%
Stripper oil production (>3 and < 15 barrels/day if oil>=\$54)	Primary Recovery Rates
Super Stripper wells (3 barrels or less/day)	
Super Stripper well exemption production (if oil <\$54)	0.5%
Super Stripper well bonus production (if oil >=\$54)	
Pre-1999 wells	5.0%
Post-1999 wells	5.0%
Horizontally completed well production	
First 18 months of qualifying production	0.5%
After 18 months for pre-1999 wells	12.5%
After 18 months for post-1999 wells	9.0%
Incremental production (if oil <\$54/barrel)	
New or expanded secondary recovery production	8.5%
New or expanded tertiary production	5.8%
Incremental production (if oil >=\$54/barrel)	
Pre-1999 wells	12.5%
Post-1999 wells	9.0%
Horizontally recompleted well	
First 18 months	0.5%
After 18 months for pre-1999 wells	12.5%
After 18 months for post-1999 wells	9.0%
<u>Nonworking Interest</u>	14.8%
Board of Oil & Gas	0.3%

Natural Gas Tax Rates	
<u>Working Interest</u>	
Qualified production	
First 12 months	0.5%
After 12 months for pre-1999 wells	14.8%
After 12 months for post-1999 wells	9.0%
Stripper natural gas pre-1999 wells	11.0%
Horizontally completed well production	
First 18 months of qualifying production	0.5%
After 18 months	9.0%
<u>Nonworking Interest</u>	14.8%
Board of Oil & Gas	0.3%

## Natural Resource Taxes

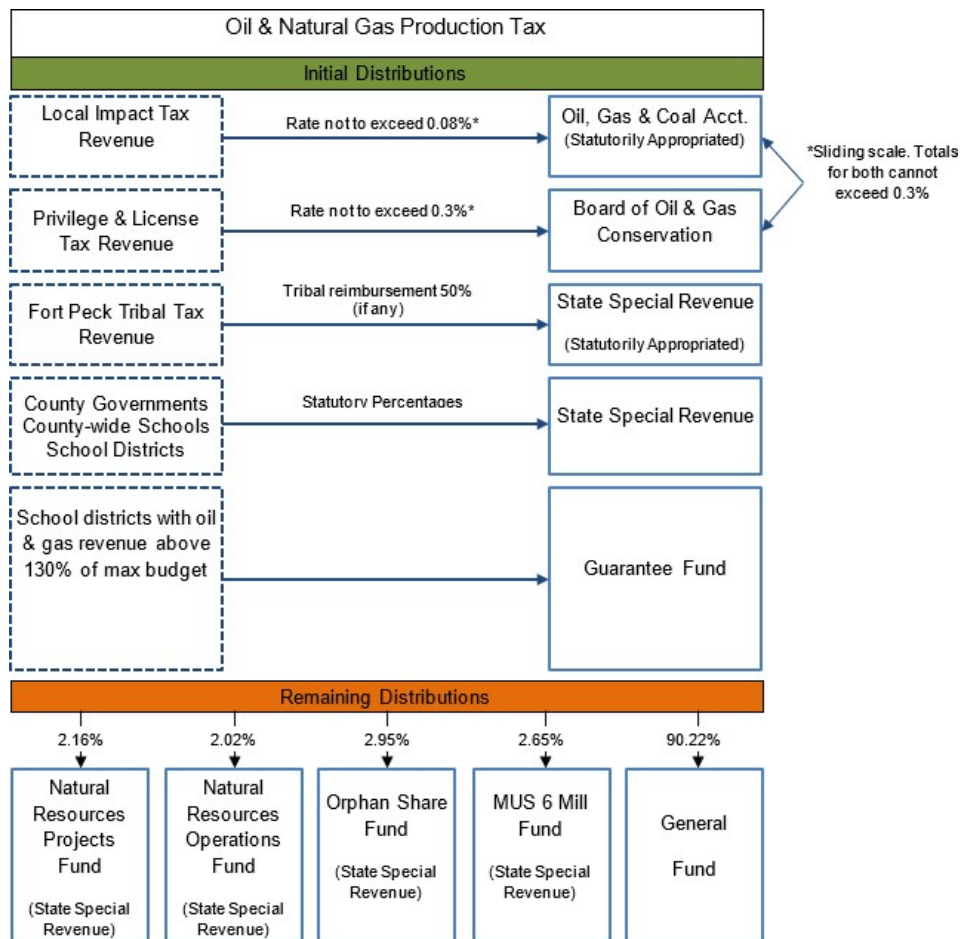
## Oil & Natural Gas Production Taxes

**Collection Frequency:** Quarterly

### Distribution

After the oil and natural gas production taxes have been collected, the revenue is distributed based on the amounts collected from the P & L and local impact taxes. The P & L tax is distributed to the Board of Oil and Gas Conservation. The amounts from the Local Impact tax are distributed to the oil and gas natural resource state special revenue account. The amounts received by the Board and the oil and gas natural resource account vary based on a sliding tax scale based on the P & L tax set by the Board. Counties producing oil and natural gas receive the next share of total revenue with each county having its own statutory distribution percentage of total revenue, including the revenue generated by the P & L and Local Impact taxes.

A portion of the revenue may be returned to Indian tribes per agreements between the DOR and the tribes. The remainder of the revenue is distributed to other state accounts, shown in the distribution chart below. The distributions of county shares and the amount of oil and natural gas production tax revenue deposited in the oil and gas natural resource account are statutorily appropriated and are based on the statutorily set percentages for each county.

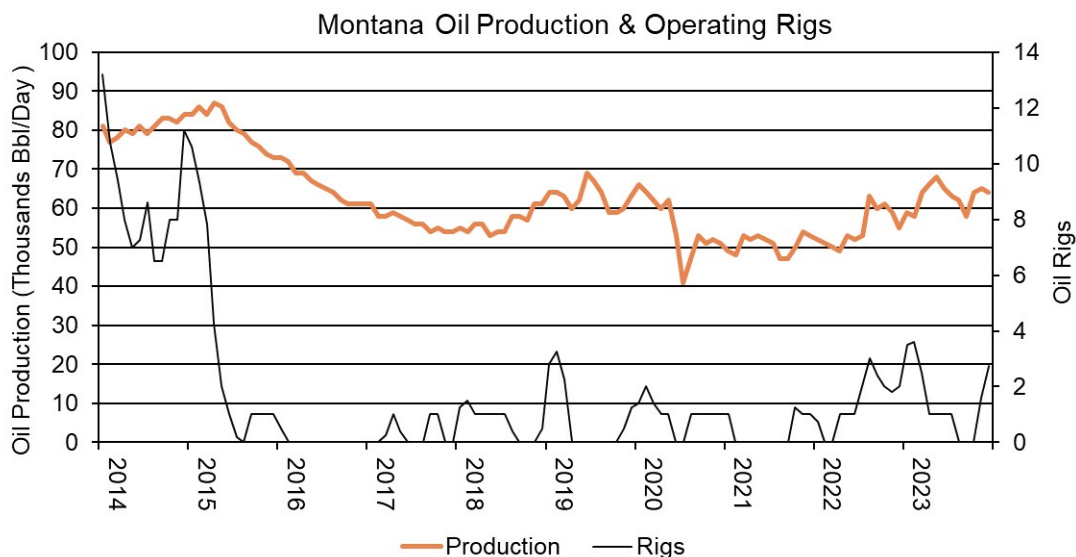


### Forecast Risks

- Price
- Production
- New drilling

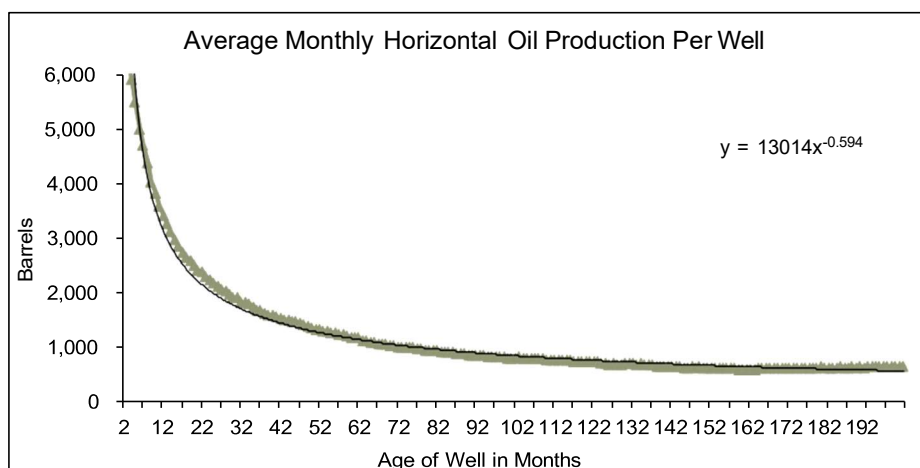
Data

Data from the Board of Oil and Gas Conservation are used extensively to isolate monthly historical production of oil and natural gas by field and by individual well. S&P Global provides future estimates of West Texas Intermediate oil and national well head natural gas prices. Production, price, value, and revenue collections, by oil type, are provided on a quarterly basis by DOR. Drilling rigs from Baker Hughes along with production numbers from the U.S. Energy Information Administration are shown below.



Analysis

Production is estimated independently for oil and natural gas. The estimate is developed on a quarterly basis with production from horizontal wells separate from all other production. Existing horizontal wells follow a production decline curve unique to the characteristics of those wells. Future production from completed wells can be estimated by developing a normalized production decline curve from the producing wells. In doing so, the difficulty of having different starting time for each well can be eliminated by averaging each well's production from a common time point. The result is a curve that represents the average production of horizontal wells by month of production.

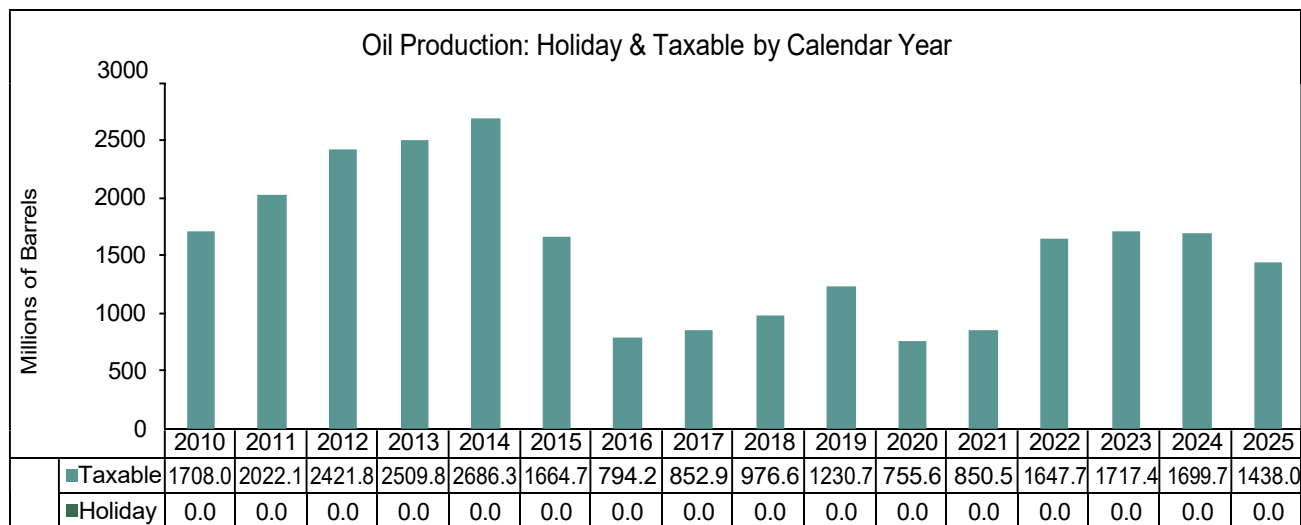


Production from future wells can be estimated by applying the production curve coefficients to an estimate of future spudded (wells that have begun drilling) wells. Knowing monthly production from each well and the date it was placed into production is essential for estimating oil tax revenue because tax

## Natural Resource Taxes

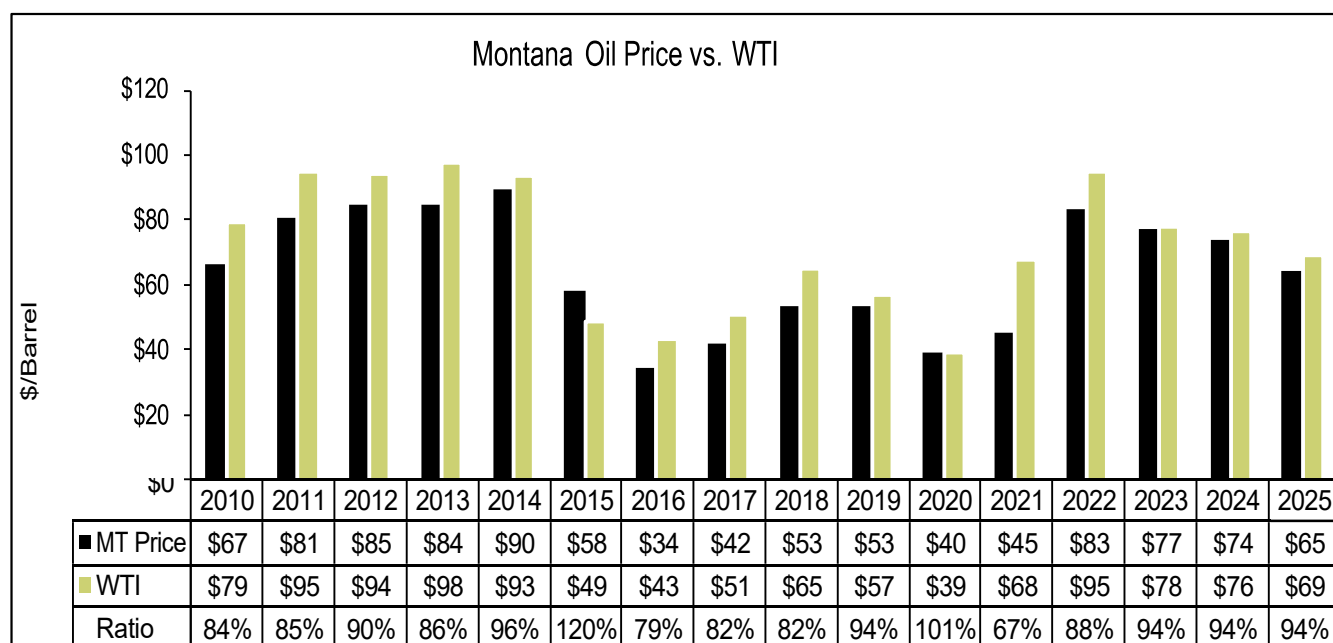
## Oil & Natural Gas Production Taxes

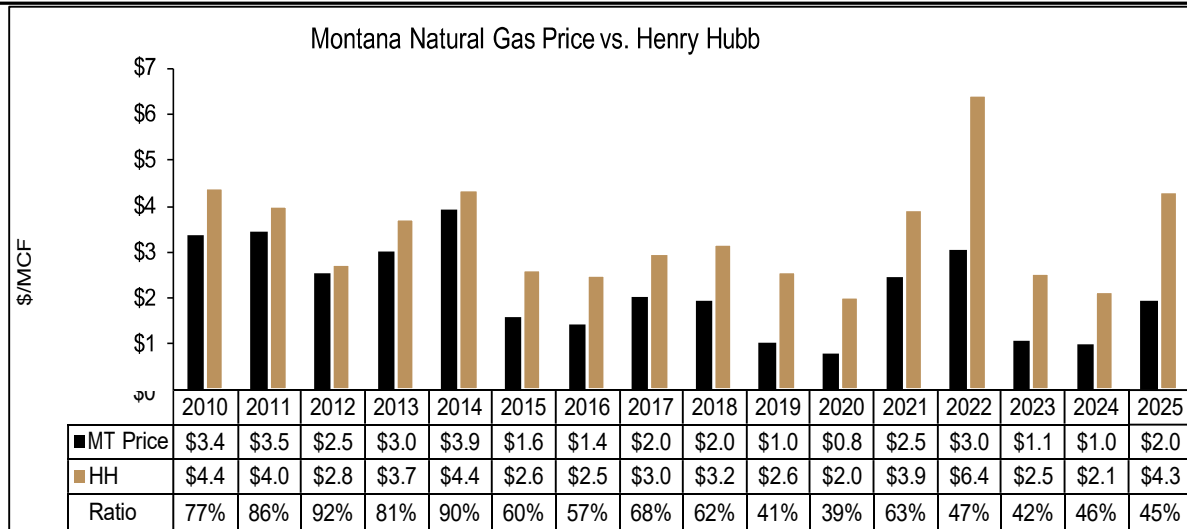
rates vary based on the length of time a well has been in production. The dynamics in the timing of when wells enter and fall out of the various tax rates and the changes in production at the various stages are complex but need to be modeled to create more accurate estimates given future price variability.



Production from all other wells is also estimated on an annual basis and by the different taxation types. For each year, the estimate is produced by multiplying the previous year by the ratio of the results of a regression analysis for the current and the previous year. The results for each tax type are then summed by year.

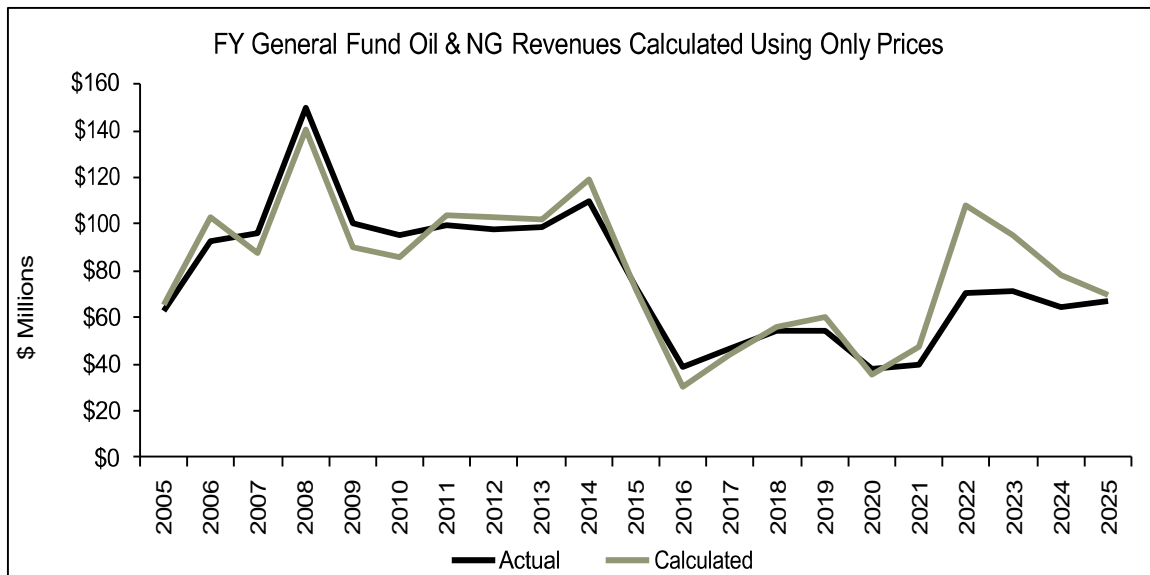
The price for each quarter is estimated by adjusting the S&P Global West Texas Intermediate oil price estimate or Henry Hub natural gas price estimate by a Montana-specific ratio. The Montana price is lower than the national price primarily due to transportation costs.





Once production and prices have been estimated, the value can be calculated by the product of the two. The quarterly value of each tax type is then multiplied by the applicable tax rate to obtain the estimate. The sum of the revenue from all tax types for each fiscal year determines the oil and natural gas production revenue estimate.

Price—not production—is the larger driver of the overall estimate. Modeling on only WTI oil prices and HH gas prices, predicted revenues are extremely close to actuals, although this relies on already known prices. As prices are never known with such accuracy, the oil and gas model uses historical production data from each well in the state to model forecast production based on an average decline curve. The additional production modeling essentially acts as a buffer against price forecast volatility.



## Natural Resource Taxes

## Oil & Natural Gas Production Taxes

### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

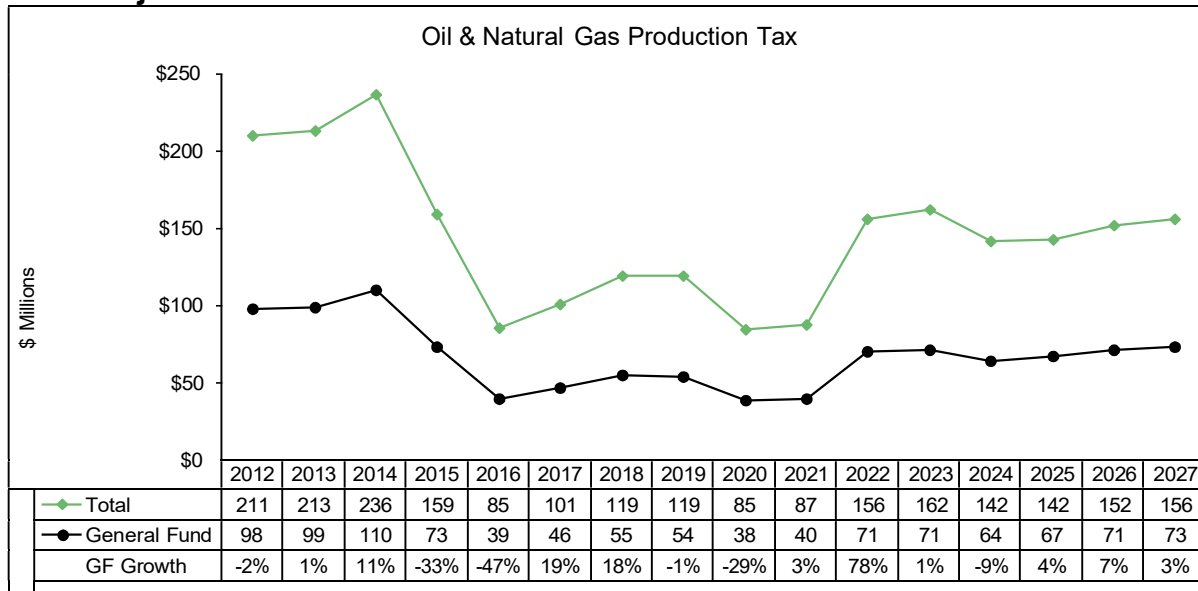
FY	Total Tax \$ Millions	GF Tax \$ Millions	CY WTI Price \$/Barrel	CY Montana Price \$/Barrel	CY WTI / MT Oil Price Ratio	CY Total Production Million Barrels	CY Holiday Production Million Barrels
A 2014	\$236.497	\$109.606	\$93.26	\$80.67	0.87	2,686.337	-
A 2015	159.107	73.184	48.689	40.60	0.83	1,664.667	-
A 2016	84.972	39.083	43.206	35.47	0.82	794.181	-
A 2017	100.769	46.334	50.956	45.40	0.89	852.852	-
A 2018	119.130	54.508	64.893	58.81	0.91	976.628	-
A 2019	118.851	54.178	56.978	51.15	0.90	1,230.747	-
A 2020	84.611	38.380	39.247	33.41	0.85	755.568	-
A 2021	87.351	39.540	67.988	63.05	0.93	850.458	-
A 2022	155.861	70.510	94.784	91.76	0.97	1,647.731	-
A 2023	161.700	71.039	77.623	73.96	0.94	1,717.430	-
A 2024	141.993	64.405	76.434	72.83	0.94	1,699.709	-
F 2025	138.731	65.302	68.827	65.58	0.94	1,437.995	-
F 2026	146.918	69.156	74.743	71.21	0.94	1,375.850	-
F 2027	150.729	70.950	77.921	74.24	0.94	1,413.572	-
F 2028	149.669	70.451	80.758	76.95	0.94	1,414.495	-
F 2029	148.505	69.903	82.882	78.97	0.94	1,419.888	-

CY	Henry Hub Price \$/MCF	Montana NG Price \$/MCF	HH/MT NG Price Ratio	Total Production Million MCFs	Holiday Production Million MCFs
A 2014	\$4.37	\$3.93	0.90	66.235	4.938
A 2015	2.61	1.58	0.60	78.803	4.384
A 2016	2.49	1.42	0.57	80.442	0.665
A 2017	2.97	2.02	0.68	82.595	0.379
A 2018	3.17	1.95	0.62	93.086	0.444
A 2019	2.57	1.04	0.41	104.912	1.796
A 2020	2.03	0.80	0.39	105.811	1.480
A 2021	3.91	2.47	0.63	96.088	1.404
A 2022	6.42	3.04	0.47	95.983	9.588
A 2023	2.54	1.06	0.42	98.117	35.539
A 2024	2.14	0.98	0.46	95.473	14.149
F 2025	4.33	1.96	0.45	87.595	12.034
F 2026	5.00	2.26	0.28	85.998	13.461
F 2027	4.81	2.25	0.47	83.755	4.493
F 2028	4.95	2.85	0.58	82.156	1.504
F 2029	4.63	2.67	0.58	80.559	1.503

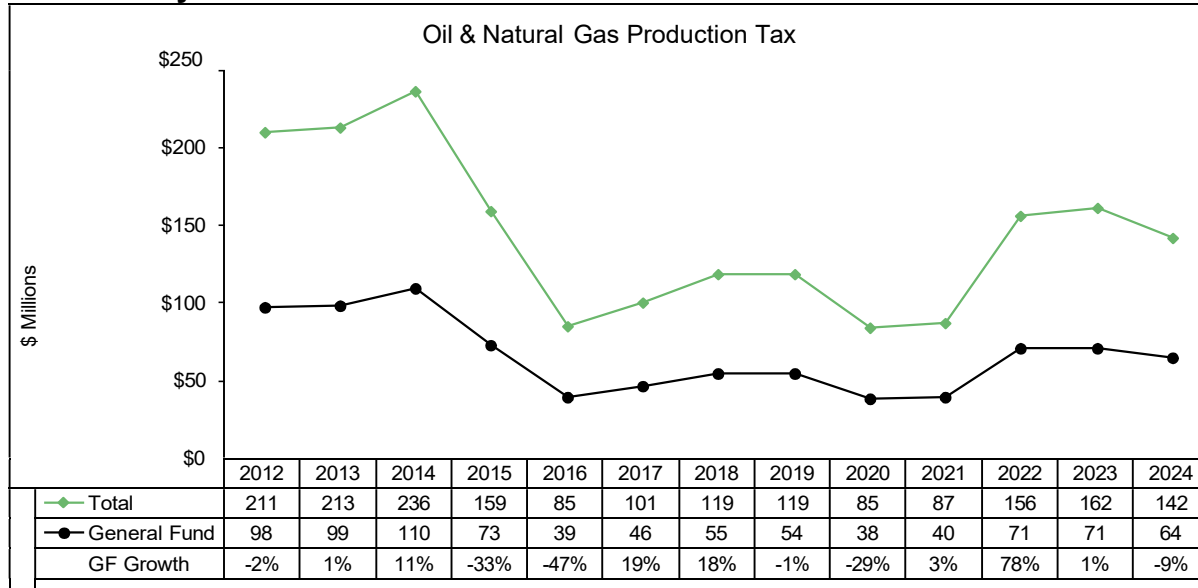


## Natural Resource Taxes Revenue Projection

## Oil & Natural Gas Production Taxes



## Revenue History



## Resource Indemnity Tax

### Revenue Description

The state imposes a resource indemnity and ground water assessment (RIGWA) tax on the gross value of coal (based on the contract sales price), as well as most minerals, but not gravel, metals, oil, or natural gas.

### Statutory Reference

Tax Rate – [15-38-104, MCA](#)

Tax Distribution – [15-38-106, MCA](#)

Date Due (metal producers) – March 31<sup>st</sup> following the end of the calendar year ([15-38-105, MCA](#); [15-38-106\(1\), MCA](#))

Date Due (mineral producers) – 60 days following the end of the calendar year ([15-38-105, MCA](#); [15-38-106\(1\), MCA](#))

### Applicable Tax Rates

Coal: \$25 plus 0.4% of the gross value of coal produced in the preceding year in excess of \$6,250

Minerals: \$25 plus 0.5% of the gross value of minerals (excluding gravel and metals, and excluding oil and natural gas since the resource indemnity trust has reached \$100 million) produced in the preceding year in excess of \$5,000

Talc: \$25 plus 0.4% of the gross value of talc produced in the preceding year in excess of \$625

Vermiculite: \$25 plus 2.0% of the gross value of vermiculite produced in the preceding year in excess of \$1,250

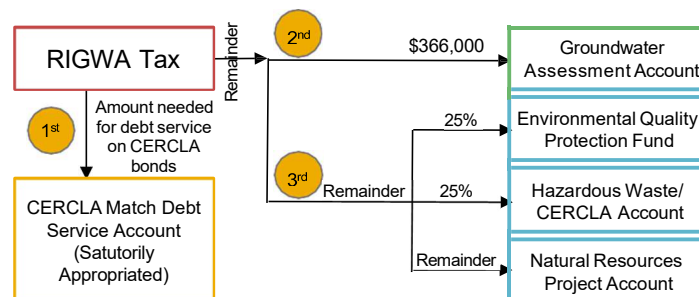
Limestone: \$25 plus 10.0% of the gross value of limestone produced in the preceding year in excess of \$250

Garnets: \$25 plus 1.0% of the gross value of garnets produced in the preceding year in excess of \$2,500

**Collection Frequency:** Annually

### Distribution

Beginning FY 2004, the amount needed to cover debt service on Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) bonds (after amounts transferred from the CERCLA cost recovery account) is deposited first to the CERCLA match debt service account. Money is then apportioned in steps 2-3 as shown in the distribution chart.



### Forecast Risks

- Coal and mineral prices
- Production

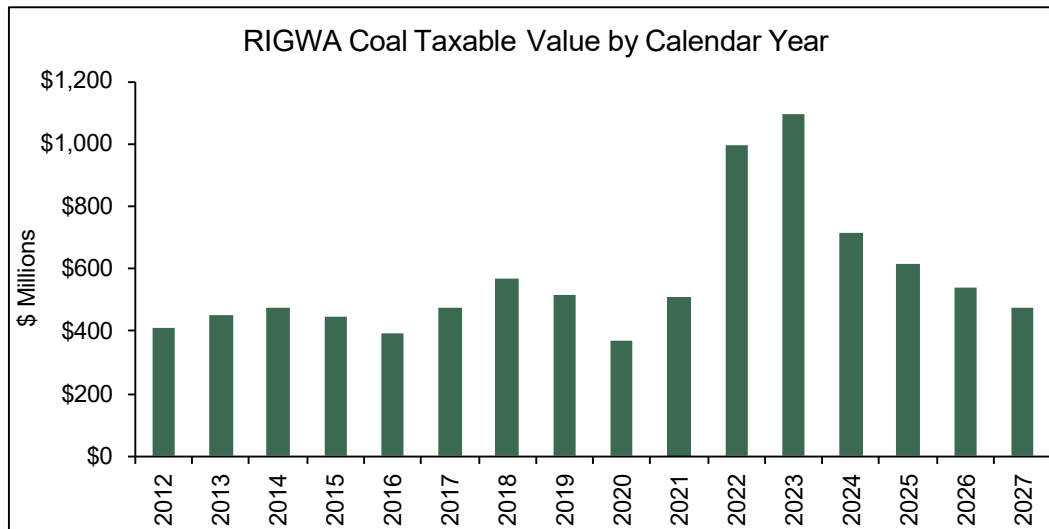
**Revenue Estimate Methodology**

Data

The data used to estimate the resource indemnity and groundwater assessment (RIGWA) tax are obtained from the coal severance tax estimate and SABHRS.

Analysis

The gross value estimates prepared for the coal severance tax are used in the estimate for the RIGWA tax. The future taxable value of coal, produced by all mines, is estimated in the coal severance tax source. The future taxable value of other mineral production is estimated at the amount of the last known year.



The tax rates are applied to the production value of each of the components, coal and other minerals. The tax estimates for the two components are summed to produce the total estimate of the RIGWA tax.

**Revenue Estimate Assumptions**

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

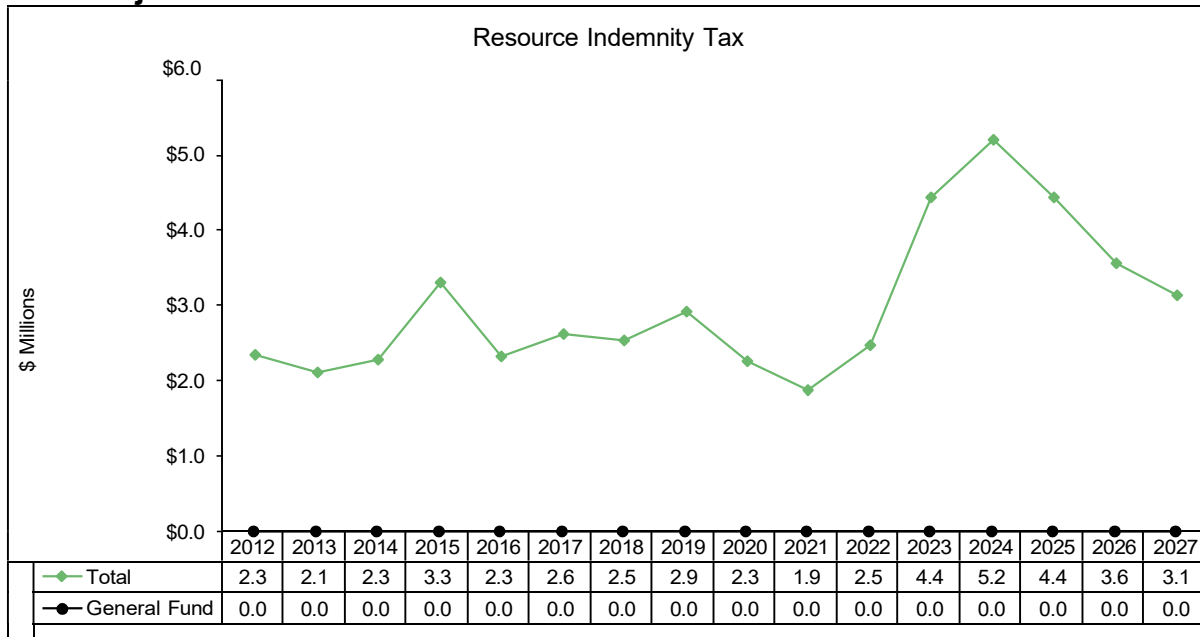
FY	Total Tax \$ Millions	GF Tax \$ Millions	Oil & NG \$ Millions	Coal \$ Millions	Other \$ Millions
A 2014	\$2.279	-	-	\$1.962	\$0.317
A 2015	3.303	-	-	2.224	1.079
A 2016	2.335	-	-	2.090	0.245
A 2017	2.623	-	-	1.801	0.822
A 2018	2.531	-	-	2.090	0.441
A 2019	2.923	-	-	2.274	0.650
A 2020	2.269	-	-	2.370	(0.101)
A 2021	1.871	-	-	1.967	(0.096)
A 2022	2.471	-	-	1.968	0.502
A 2023	4.444	-	-	3.343	1.101
A 2024	5.198	-	-	4.404	0.793
F 2025	4.425	-	-	3.626	0.799
F 2026	3.562	-	-	2.664	0.898
F 2027	3.132	-	-	2.302	0.830
F 2028	2.860	-	-	2.018	0.842
F 2029	2.644	-	-	1.787	0.857

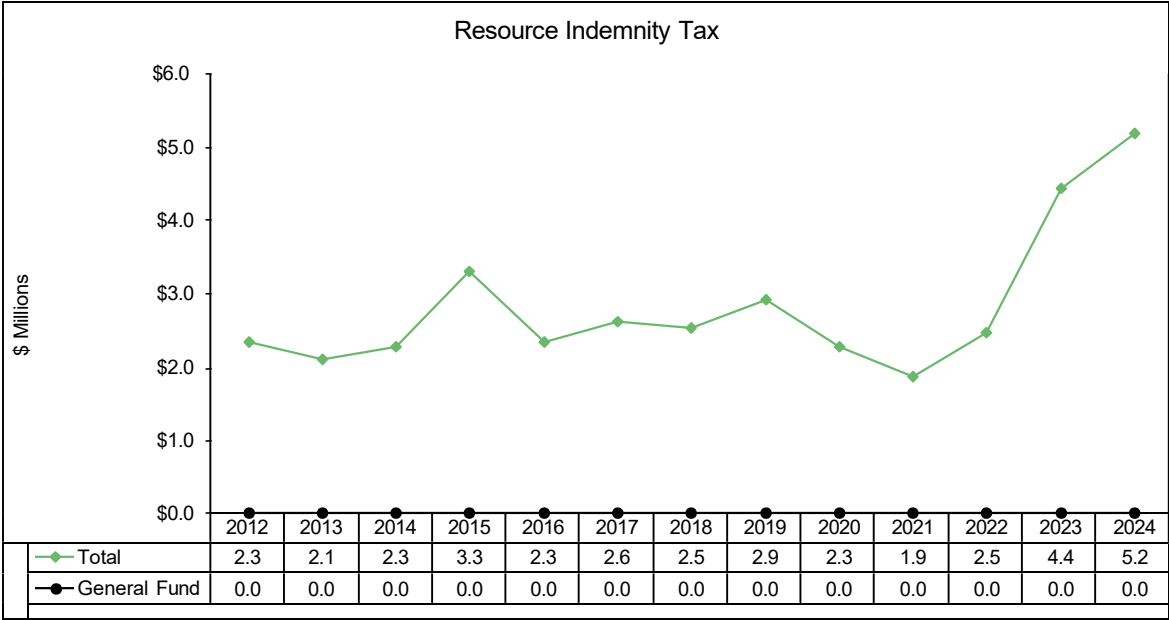
## Natural Resource Taxes

## Resource Indemnity Tax

FY	Debt Service \$ Millions	Water Storage \$ Millions	Protection Fund \$ Millions	Ground \$ Millions	CERCLA Account \$ Millions	Projects Account \$ Millions
A 2014	\$0.272	\$0.150	\$0.373	\$0.366	\$0.373	\$0.745
A 2015	0.268	-	0.667	0.366	0.667	1.334
A 2016	0.270	0.150	0.387	0.366	0.387	0.774
A 2017	0.148	-	0.527	0.366	0.527	1.054
A 2018	0.144	0.150	0.468	0.366	0.468	0.936
A 2019	0.145	-	0.603	0.366	0.603	1.206
A 2020	0.145	0.150	0.402	0.366	0.402	0.804
A 2021	0.145	-	0.340	0.366	0.340	0.680
A 2022	0.145	0.150	0.452	0.366	0.452	0.905
A 2023	0.145	-	0.983	0.366	0.983	1.966
A 2024	0.145	0.150	1.134	0.366	1.134	2.268
F 2025	0.270	-	0.947	0.366	0.947	1.895
F 2026	0.270	0.150	0.694	0.366	0.694	1.388
F 2027	0.270	-	0.624	0.366	0.624	1.248
F 2028	0.270	0.150	0.519	0.366	0.519	1.037
F 2029	0.270	-	0.502	0.366	0.502	1.004

## Revenue Projection





## U.S. Mineral Royalties

### Revenue Description

Under the federal Mineral Lands Leasing Act ([30 USC, Section 191](#)), 50% of all sales, bonuses, royalties, and rentals received from federal lands in Montana must be paid to the state. The money is to be used as the legislature may direct, giving priority to those subdivisions of the state socially or economically impacted by development of minerals leased under the federal act. The revenue produced on federal public lands includes royalties and bonuses from oil, gas, coal, and other mineral exploration and extraction.

### Statutory Reference

Distribution – [17-3-240, MCA](#)

**Collection Frequency:** Monthly

### Distribution

Receipts are deposited 75% to the general fund and 25% to the state special revenue mineral impact account. Money in the mineral impact account is statutorily appropriated for distribution to eligible counties in which the minerals were extracted.

### Forecast Risks

- Coal, oil, and other mineral prices
- The amount of production on federal lands
- Federal legislative impacts

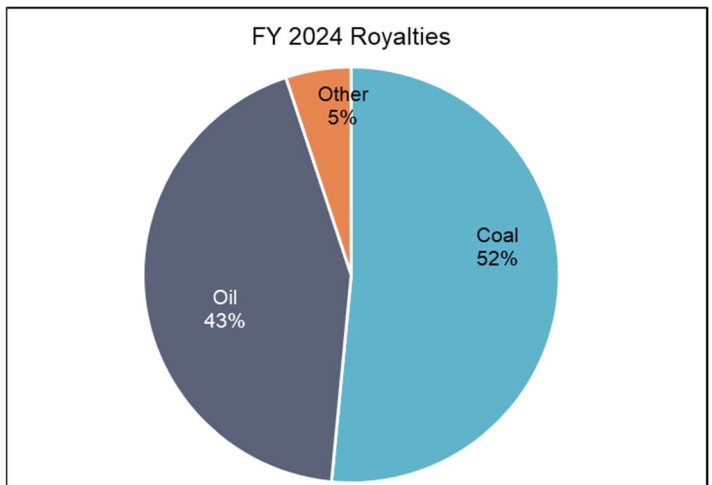
### Revenue Estimate Methodology

#### Data

Federal fiscal year data on receipts by mineral type as well as royalty, bonus, rents, and other categories are combined with growth and distribution data from the coal and oil & natural gas analysis.

#### Analysis

The estimate for mineral royalties is obtained by multiplying together estimates for production & price (based on data from other natural resource analysis) and recent trends in the applicable royalty collections. Rents, bonuses, and other revenues are then simply trended as they are much more volatile than royalties. The adjacent chart shows royalties by source.



### Revenue Estimate Assumptions

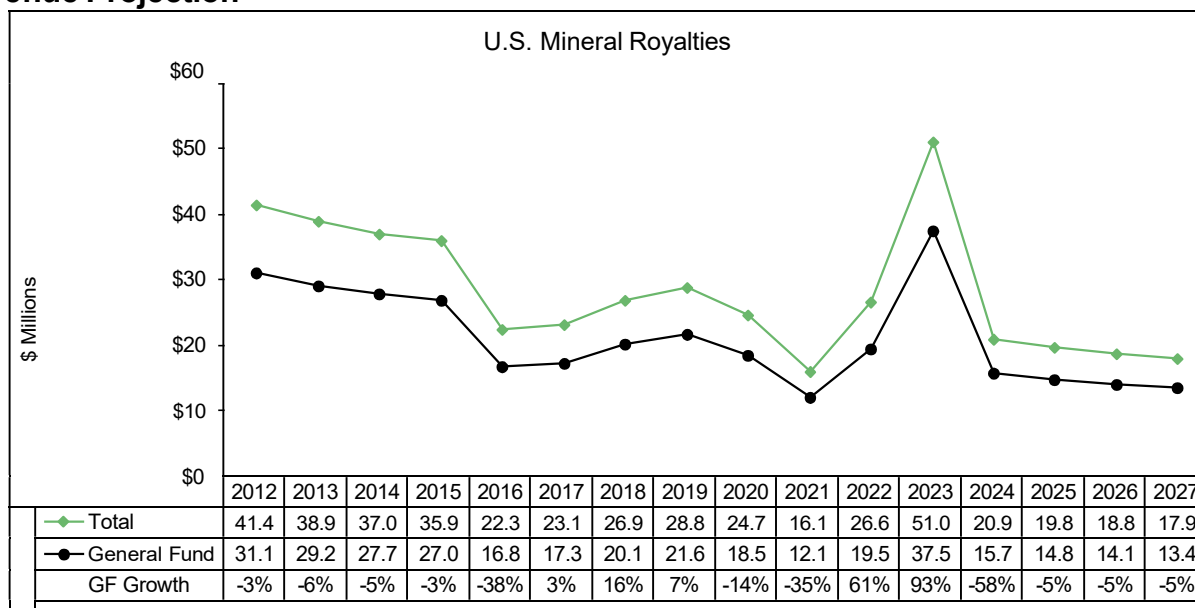
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

# Natural Resource Taxes

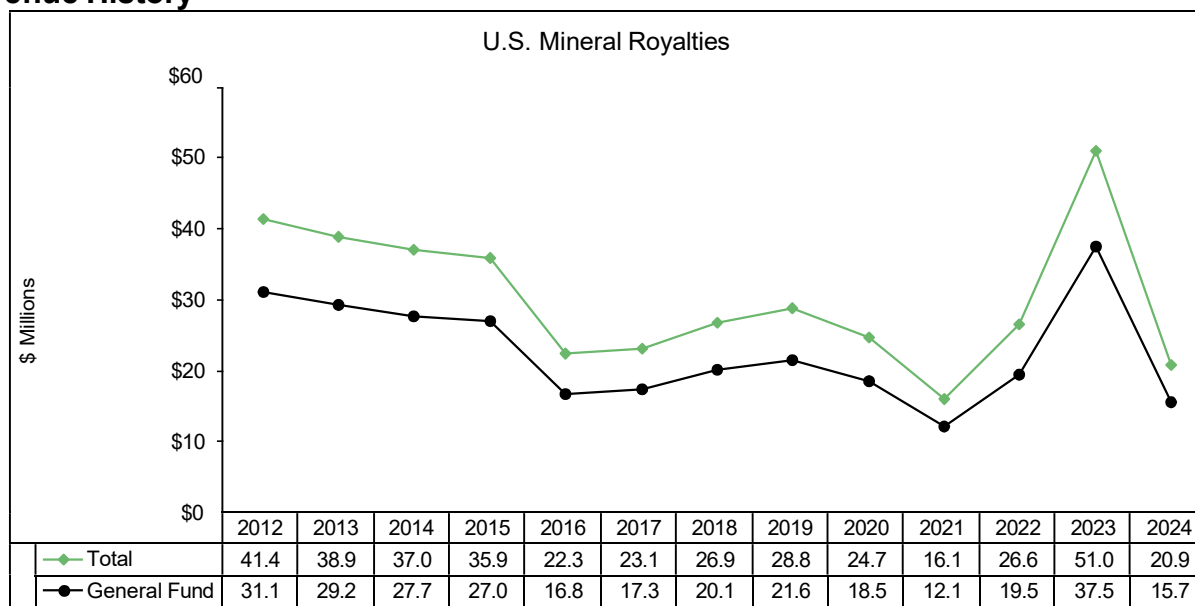
# U.S. Mineral Royalties

		Total Rev.	GF Rev.	FFY Total	FFY Total	FFY Total	FFY Total
	FY	\$ Millions	\$ Millions	Rents \$ Millions	Bonuses \$ Millions	Royalties \$ Millions	Other \$ Millions
A 2014		\$36.992	\$27.744	\$1.688	\$1.461	\$77.147	\$0.200
A 2015		35.947	26.960	1.368	0.139	68.839	0.149
A 2016		22.345	16.759	0.946	0.038	43.705	(0.241)
A 2017		23.096	17.322	0.870	0.763	47.650	0.671
A 2018		26.852	20.139	1.023	0.768	50.555	0.850
A 2019		28.760	21.570	0.840	2.598	59.146	1.280
A 2020		24.703	18.527	0.406	0.014	48.540	0.975
A 2021		16.109	12.082	0.333	0.236	37.608	1.061
A 2022		26.630	19.464	0.694	0.236	57.299	1.042
A 2023		51.042	37.508	0.659	0.236	86.911	1.042
A 2024		20.873	15.655	0.587	0.236	41.568	0.524
F 2025		19.776	14.832	0.536	0.236	39.333	0.524
F 2026		18.844	14.133	0.562	0.236	37.480	0.524
F 2027		17.928	13.446	0.608	0.236	35.497	0.524
F 2028		17.079	12.809	0.590	0.236	33.803	0.524
F 2029		16.350	12.263	0.577	0.236	32.362	0.524

	Oil	Coal	Natural Gas
FFY	Royalties Millions	Royalties Millions	Royalties Millions
A 2014	26.606	43.107	7.435
A 2015	21.680	43.148	3.905
A 2016	10.622	31.549	1.486
A 2017	12.831	33.265	1.488
A 2018	16.804	30.952	2.719
A 2019	17.811	37.706	3.435
A 2020	11.855	34.227	2.227
A 2021	12.741	21.195	2.627
A 2022	23.460	29.732	3.400
A 2023	24.702	56.637	4.989
A 2024	18.043	21.412	1.125
F 2025	15.930	21.627	1.042
F 2026	16.955	18.785	0.948
F 2027	17.317	16.503	0.875
F 2028	17.576	14.667	0.779
F 2029	17.657	13.192	0.708



**Revenue History**





## Wholesale Energy Tax

### Revenue Description

The wholesale energy transaction tax is imposed on the amount of electricity transmitted by a transmission services provider in the state.

### Statutory Reference

Tax Rate – [15-72-104\(1\), MCA](#)

Tax Distribution – [15-72-106\(3\), MCA](#)

Date Due – 30<sup>th</sup> day of the month following the end of the calendar quarter ([15-72-110, MCA](#))

### Applicable Tax Rates

The tax rate of \$0.15 per megawatt is applied to the number of megawatt hours transmitted. If the electricity is produced in-state and sold out-of-state, the taxpayer is the owner of the electrical generation property, and the tax is collected by the transmission services provider. If the electricity is produced in-state for delivery in-state, or is produced outside the state for delivery in-state, the taxpayer is the distribution services provider, and the tax is collected by the transmission services provider.

The tax does not apply to the following:

- Electricity that is transmitted through the state that is neither produced nor consumed in the state;
- Electricity generated in the state by an agency of the federal government for delivery outside the state;
- Electricity delivered to a distribution services provider that is a municipal utility or a rural electric cooperative which opts out of competition;
- Electricity delivered to a purchaser that received its power directly from a transmission or distribution facility owned by an entity of the U.S. government;
- Electricity meeting certain contractual requirements that is delivered by a distribution services provider that was first served by a public utility after December 31, 1996;
- Electricity that has been subject to the transmission tax in another state; and
- A 5% line loss exemption for transmission of electricity produced in the state for delivery outside of the state

**Collection Frequency:** Quarterly

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

### Forecast Risks

- Electricity prices
- Generation and transmission capacity
- Production outages

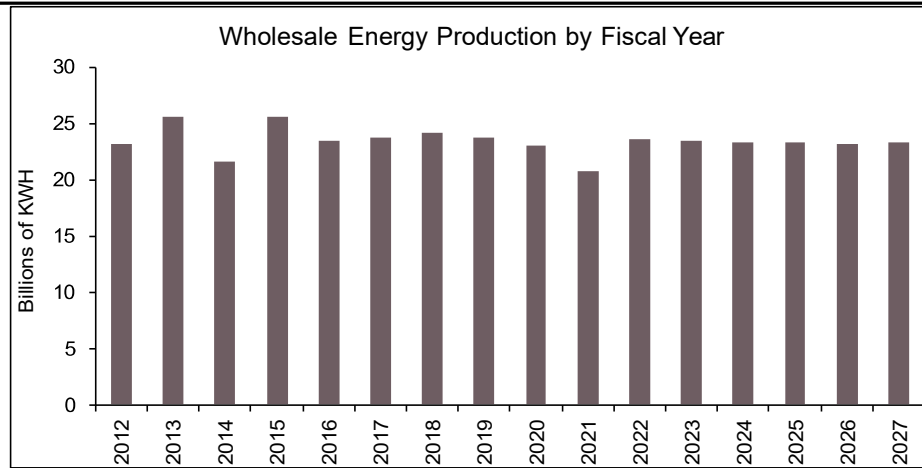
### Revenue Estimate Methodology

#### Data

Data from quarterly reports produced by DOR provide a history of in-state and out-of-state kilowatt hours transmitted by each company.

#### Analysis

A trend of historical in and out-of-state kilowatt hour data is applied to the previous gross production amount and line loss is subtracted. Net taxable kilowatt hours are multiplied by the tax rate to produce total revenue from this source.



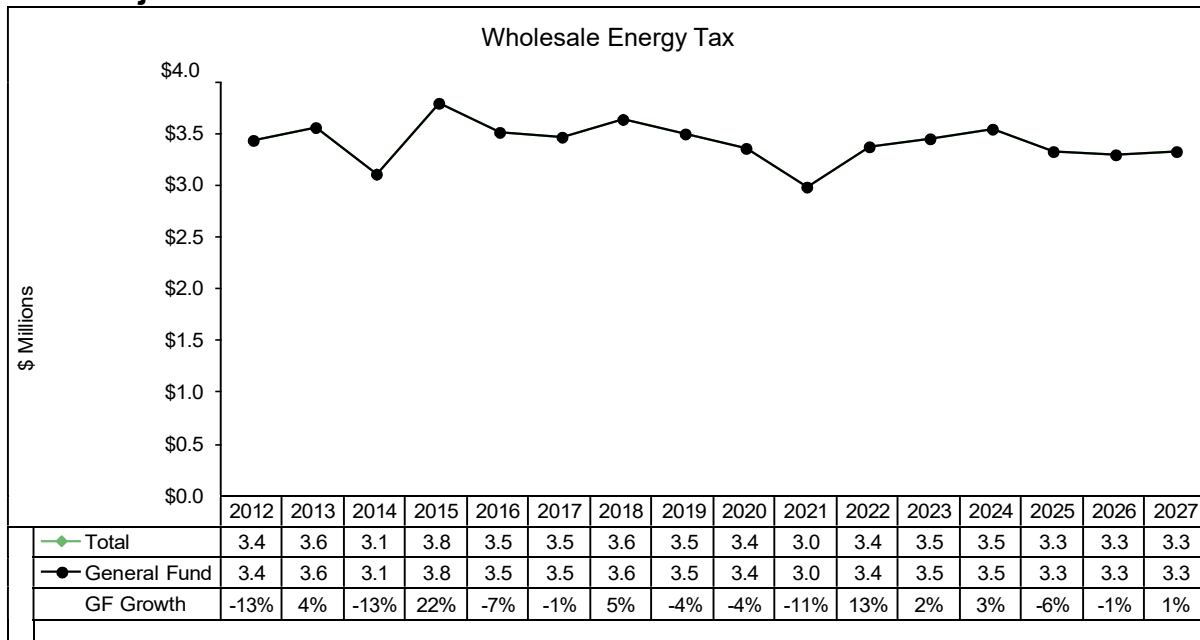
### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

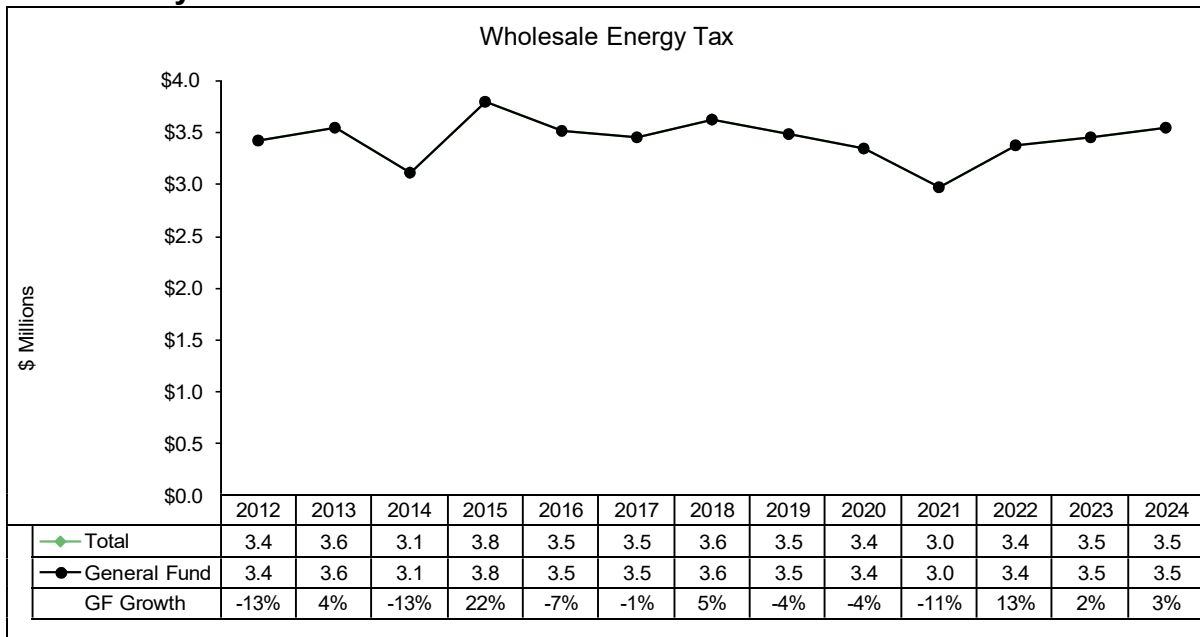
FY	Total Tax \$ Millions	GF Tax \$ Millions	KWH Millions	Line Loss
				KWH Millions
A 2014	\$3.112	\$3.112	21,557	595
A 2015	3.795	3.795	25,661	783
A 2016	3.516	3.516	23,534	659
A 2017	3.464	3.464	23,799	670
A 2018	3.628	3.628	24,239	680
A 2019	3.490	3.490	23,830	635
A 2020	3.351	3.351	22,398	608
A 2021	2.981	2.981	20,035	513
A 2022	3.377	3.377	22,184	654
A 2023	3.455	3.455	23,404	719
A 2024	3.545	3.545	23,490	710
F 2025	3.320	3.320	22,763	627
F 2026	3.292	3.292	22,571	625
F 2027	3.317	3.317	22,752	637
F 2028	3.321	3.321	22,779	641
F 2029	3.339	3.339	22,908	645

## Natural Resource Taxes Revenue Projection

## Wholesale Energy Tax



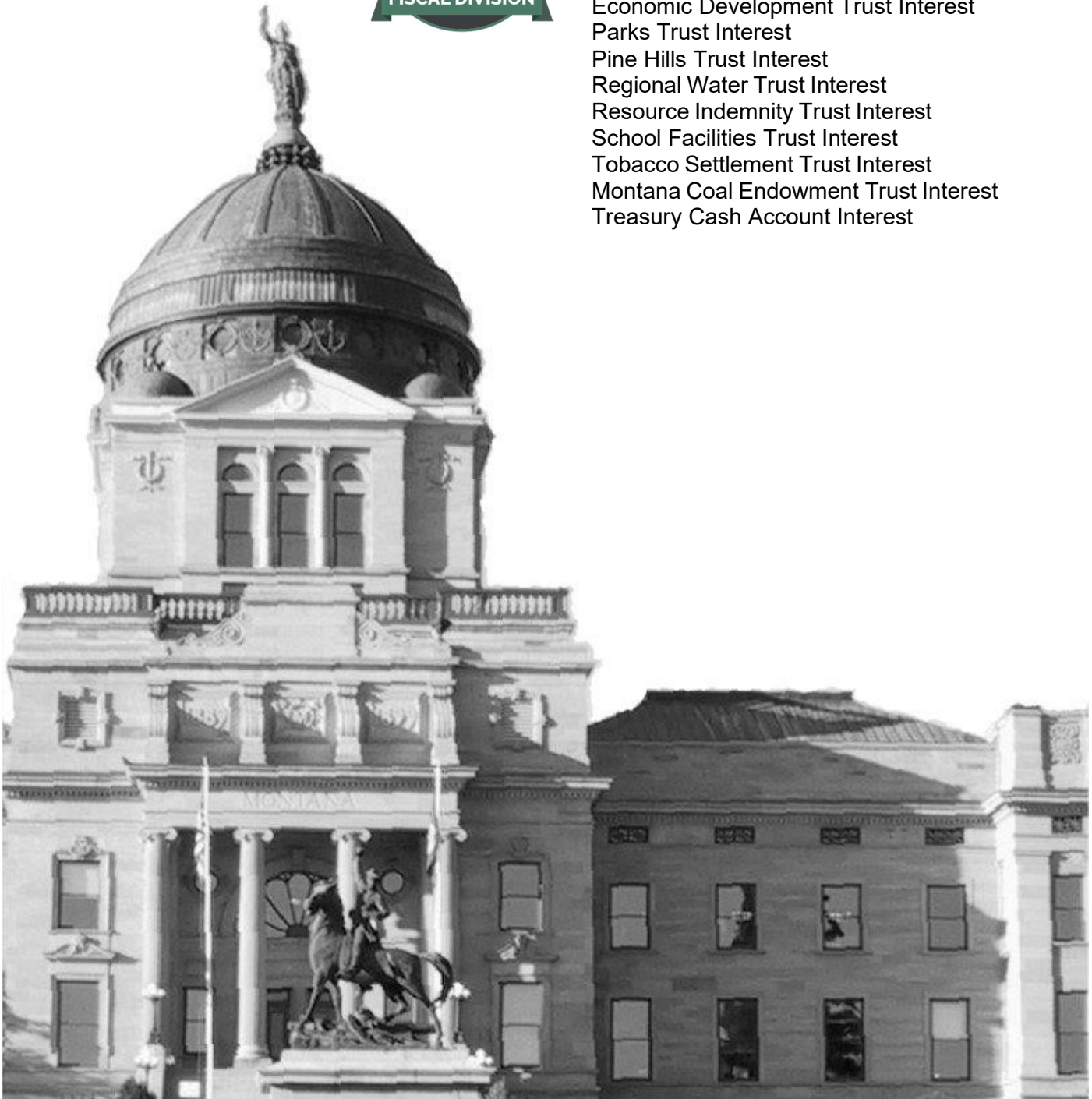
## Revenue History



# INTEREST EARNINGS



Capital Land Grant  
Coal Trust Interest  
Common School Interest & Income  
Cultural & Aesthetics Trust Interest  
Deaf & Blind Trust Interest  
Economic Development Trust Interest  
Parks Trust Interest  
Pine Hills Trust Interest  
Regional Water Trust Interest  
Resource Indemnity Trust Interest  
School Facilities Trust Interest  
Tobacco Settlement Trust Interest  
Montana Coal Endowment Trust Interest  
Treasury Cash Account Interest



**Capital Land Grant Interest and Income****Revenue Description**

The capital land grant fund is a fund set up for public buildings at the state capital for construction, repair, renovation, and other permanent improvements of state building. Capital land grant funds can also be used for the acquisition of land for such buildings, as well as the payment of principal and interest on bonds issued for any of these purposes. The funds for this come from lands granted by the federal government to the state, which generate income from a variety of sources, as well as interest from principal in the account. Section 12 of the *Enabling Act* requires that income generated on certain sections of federally granted land be used for this purpose.

**Statutory Reference**

Distribution – [18-2-107, MCA](#)

[Enabling Act](#), Sections 10, 12 & 17

Other – Department of Natural Resources & Conservation (DNRC) trust land administration diversion ([77-1-108, MCA](#) & [77-1-109, MCA](#)); DNRC land bank administration diversion ([77-2-362, MCA](#))

**Applicable Tax Rates:** N/A

**Collection Frequency:** Monthly

**Distribution**

After diversions for DNRC administration, all remaining capital land grant income is deposited into a capital projects fund to be used for projects on the state capital complex in accordance with the provisions of Section 12 of the *Enabling Act*.

**Forecast Risks**

- Prices and rental charges set by the Board of Land Commissioners
- Commodity prices and production
- Administration costs

**Revenue Estimate Methodology**

The estimate for interest and income from the capital land grant trust determines the net amount of revenue that will be distributed to the trust beneficiary. Since all the trust income is distributed, the trust has no monetary corpus.

Data

Data from SABHRS provide a history of each individual interest and income revenue component. Department of Natural Resources and Conservation (DNRC) annual reports and other data provide additional information such as mineral prices and production. Budget submissions on the state budgeting system (IBARS) provide anticipated diversions.

Analysis

The estimate is produced by estimating the revenue components and then subtracting estimated diversion amount. The revenue components for this source are made up of timber, grazing, and agricultural fees, oil and gas bonuses, leases and penalties, mineral royalties and miscellaneous rentals. They are typically estimated using a moving average of recently completed fiscal years' collections. DNRC's estimated operational costs are used for the forecast of diversion amounts.

**Revenue Estimate Assumptions**

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

## Interest Earnings

## Capital Land Grant Interest and Income

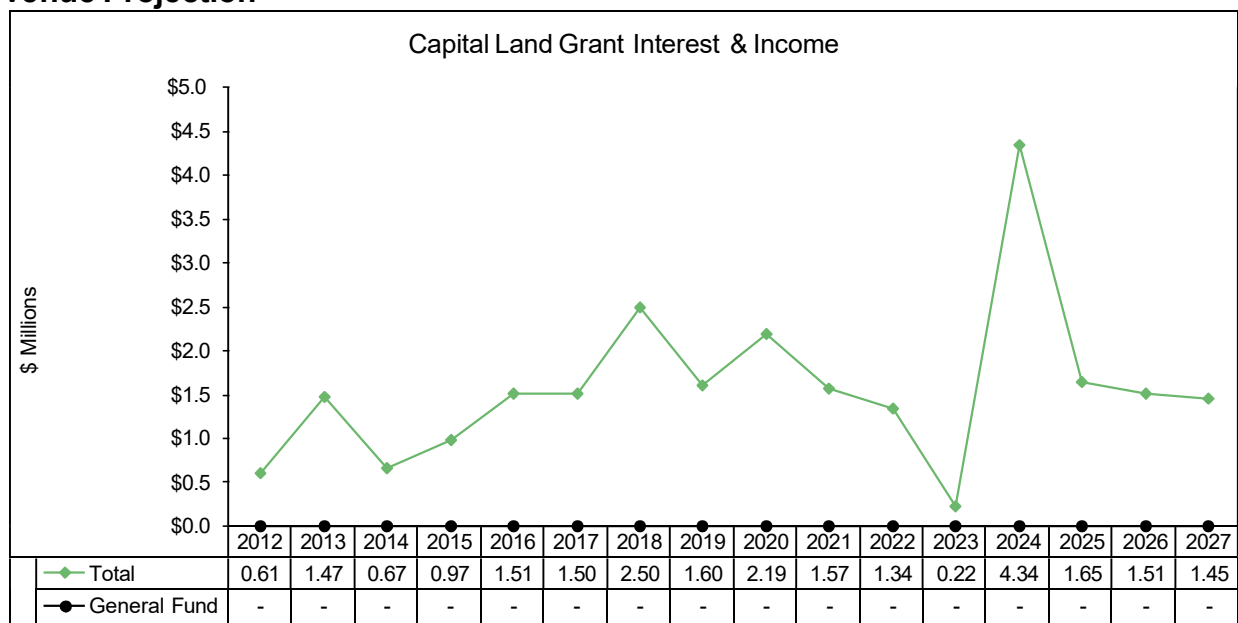
FY	Total Rev. \$ Millions	GF Rev. \$ Millions	Grazing \$ Millions	Agriculture \$ Millions	O&G Lease \$ Millions	O&G Bonus \$ Millions	O&G Penalty \$ Millions
A 2014	\$0.666	-	\$0.328	\$0.098	\$0.033	\$0.002	\$0.019
A 2015	0.972	-	0.413	0.095	0.027	0.007	0.023
A 2016	1.510	-	0.559	0.072	0.004	0.000	0.004
A 2017	1.504	-	0.400	0.096	0.001	-	0.000
A 2018	2.496	-	0.323	0.100	0.003	0.006	(0.002)
A 2019	1.601	-	0.380	0.132	0.002	-	0.000
A 2020	2.187	-	0.376	0.112	0.003	-	0.000
A 2021	1.570	-	0.387	0.131	0.002	-	0.000
A 2022	1.341	-	0.372	0.130	0.004	-	0.000
A 2023	0.220	-	0.396	0.116	0.003	-	0.000
A 2024	4.343	-	0.494	0.137	0.004	-	0.002
F 2025	1.649	-	0.422	0.122	0.003	-	0.001
F 2026	1.507	-	0.427	0.124	0.003	-	0.001
F 2027	1.446	-	0.436	0.124	0.003	-	0.001
F 2028	1.431	-	0.445	0.126	0.003	-	0.001
F 2029	1.382	-	0.433	0.126	0.003	-	0.001

FY	Misc. Rentals \$ Millions	Res. Dev. \$ Millions	Timber Cost \$ Millions	Oil Roy. \$ Millions	Gas Roy. \$ Millions	Timber \$ Millions	Misc. \$ Millions
A 2014	\$0.374	\$0.000	\$0.000	\$0.007	\$0.005	\$0.670	\$0.016
A 2015	0.721	-	-	0.005	0.043	0.410	0.013
A 2016	0.174	-	-	0.003	0.003	1.796	0.014
A 2017	0.186	-	-	0.000	0.001	1.988	0.014
A 2018	0.180	-	-	0.489	0.062	2.247	0.029
A 2019	0.203	-	-	0.150	0.017	1.753	0.020
A 2020	0.178	-	-	0.102	0.009	2.487	0.007
A 2021	0.316	-	-	0.060	0.007	1.263	0.023
A 2022	0.169	-	-	0.086	0.028	1.366	0.045
A 2023	0.210	-	-	0.091	0.043	0.204	0.026
A 2024	0.229	-	-	1.848	0.134	1.258	0.030
F 2025	0.231	-	-	0.184	0.021	1.596	0.031
F 2026	0.210	-	-	0.107	0.022	1.573	0.033
F 2027	0.220	-	-	0.117	0.024	1.527	0.030
F 2028	0.223	-	-	0.127	0.025	1.447	0.031
F 2029	0.221	-	-	0.138	0.024	1.413	0.031

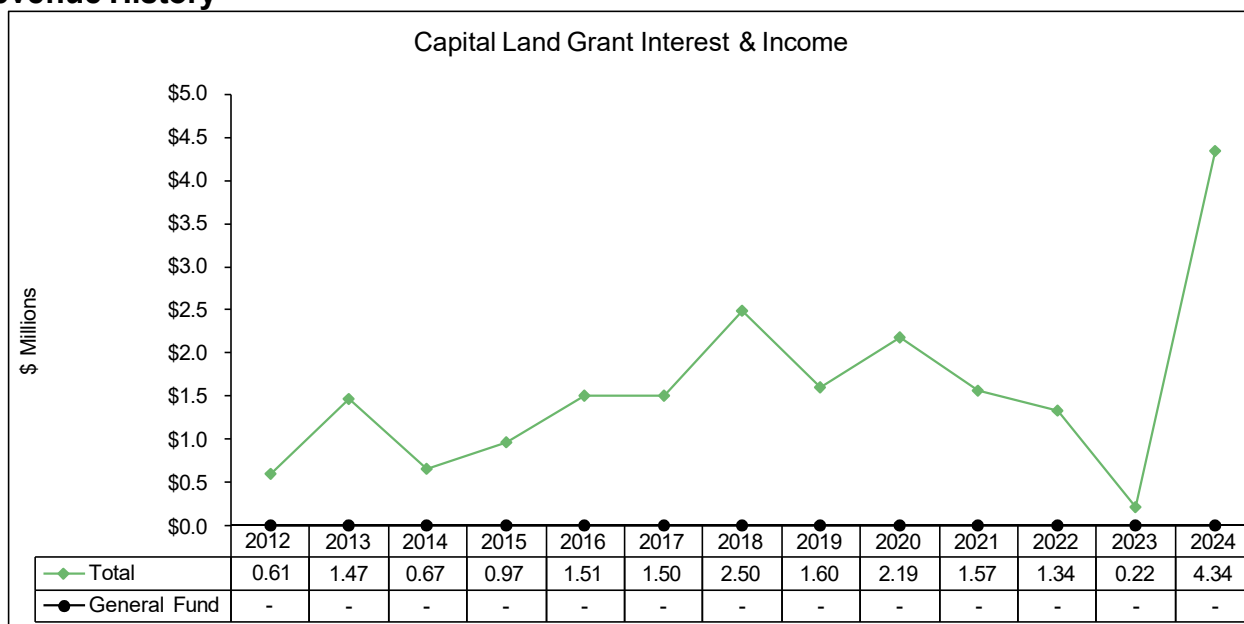
FY	Trust Land Admin. \$ Millions
A 2014	(\$0.887)
A 2015	(0.786)
A 2016	(0.802)
A 2017	(0.954)
A 2018	(0.941)
A 2019	(1.056)
A 2020	(1.087)
A 2021	(0.619)
A 2022	(0.860)
A 2023	(0.868)
A 2024	(1.153)
F 2025	(0.960)
F 2026	(0.994)
F 2027	(1.036)
F 2028	(0.997)
F 2029	(1.009)

## Interest Earnings Revenue Projection

## Capital Land Grant Interest and Income



## Revenue History



## Coal Trust Interest

### Revenue Description

The coal trust is one of several trusts set up with money from the Coal Severance Tax. The interest money from this fund is for a variety of purposes with the majority going to fund the Public Employees Retirement System.

[Article IX, Section 5](#) of the Montana Constitution requires that 50% of all coal severance tax revenue be deposited in a permanent coal trust fund in which appropriation of the principal requires a three-fourths vote of each house of the legislature. Coal severance tax funds flowing into the trust fund are first used to secure and subsidize state bonds issued to finance water resource and renewable resource development projects and activities. The remaining funds are then split 25% (12.5% of total revenue) to the Big Sky Economic Development trust fund and the remaining 75% (37.5% of total revenue) to the School Facilities Fund.

For more information on the coal permanent trust earnings and distributions, see the chart in the [Coal Severance Tax](#) section.

### Statutory Reference

Distribution – [Montana Constitution, Article IX, Section 5](#); [17-5-704, MCA](#); [15-35-108, MCA](#)

**Applicable Tax Rates:** N/A

**Collection Frequency:** Monthly

### Distribution

Interest earned on the coal severance tax permanent trust fund that is deposited to the general fund is statutorily appropriated as follows:

- \$65,000 to the cooperative development center;
- \$900,000 for the growth through agriculture program provided for in [Title 90, chapter 9](#);
- \$600,000 for the Montana food and agricultural development program
- to the Department of Commerce for specific projects:
  - \$325,000 for a small business development center;
  - \$50,000 for a small business innovative research program;
  - \$625,000 for certified regional development corporations;
  - \$500,000 for the Montana manufacturing extension center at MSU-Bozeman; and
  - \$300,000 for export trade enhancement
- After the above payments, the remaining funds are distributed to the state general fund

### Forecast Risks

- Short- and long-term interest rates
- Bond rates

### Revenue Estimate Methodology

#### Data

The Board of Investments (BOI) provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future long-term interest rates are provided by the BOI and short-term rates are provided by S&P Global.

#### Analysis



## Interest Earnings

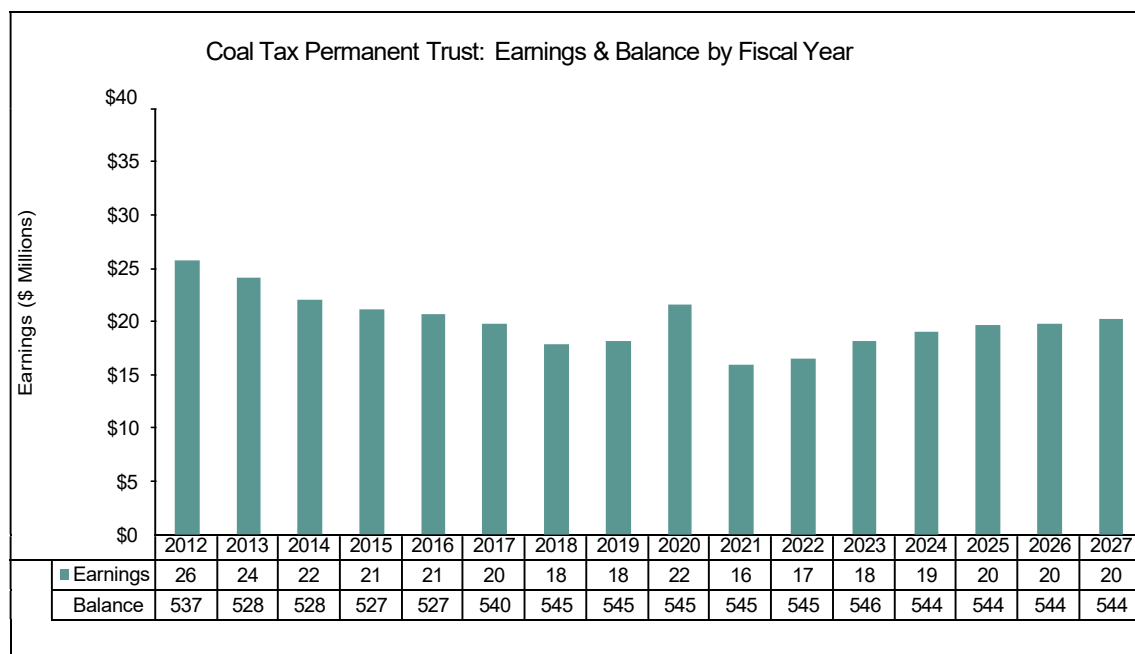
## Coal Trust Interest

The coal trust was created from distributions of the coal severance tax. The Constitution requires that 50% of the coal severance tax collections be distributed into the coal trust; currently, the required coal tax revenue flows into two of the sub-trusts and none of the tax revenue is deposited into the permanent coal trust.

Each of the following interest or income components are estimated independently and combined to produce the estimate:

- Trust funds bond pool (TFBP)
- In-state investments
- Short-term investment pool (STIP)

The TFBP was formed in 1995 to manage the fixed investments held in the state's major trust funds. Each trust owns "shares" of the pool and interest earnings are paid to each trust on a per-share basis. Yearly return rate estimates provided by the BOI are applied to the current and estimated future trust balance to produce a TFBP earnings estimate.



The BOI is required by statute to invest 25% of the coal tax trust in the Montana economy. In-state investments primarily consist of loans to Montana business entities and earnings are equal to the interest charged on the loans.

STIP interest (including other interest) is earned on cash, prior to investment in long-term investments. Funds are acquired from new deposits and maturing securities in the forecast period. Funds are held in STIP until the BOI determines that conditions are favorable for investment in the TFBP. STIP earnings are modeled on an average short-term interest rate based on S&P Global projections of three short-term investments.

After the estimates are calculated, the projected earnings the sources are combined to reach total coal trust interest revenue, and the revenues are distributed as described above.

## Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

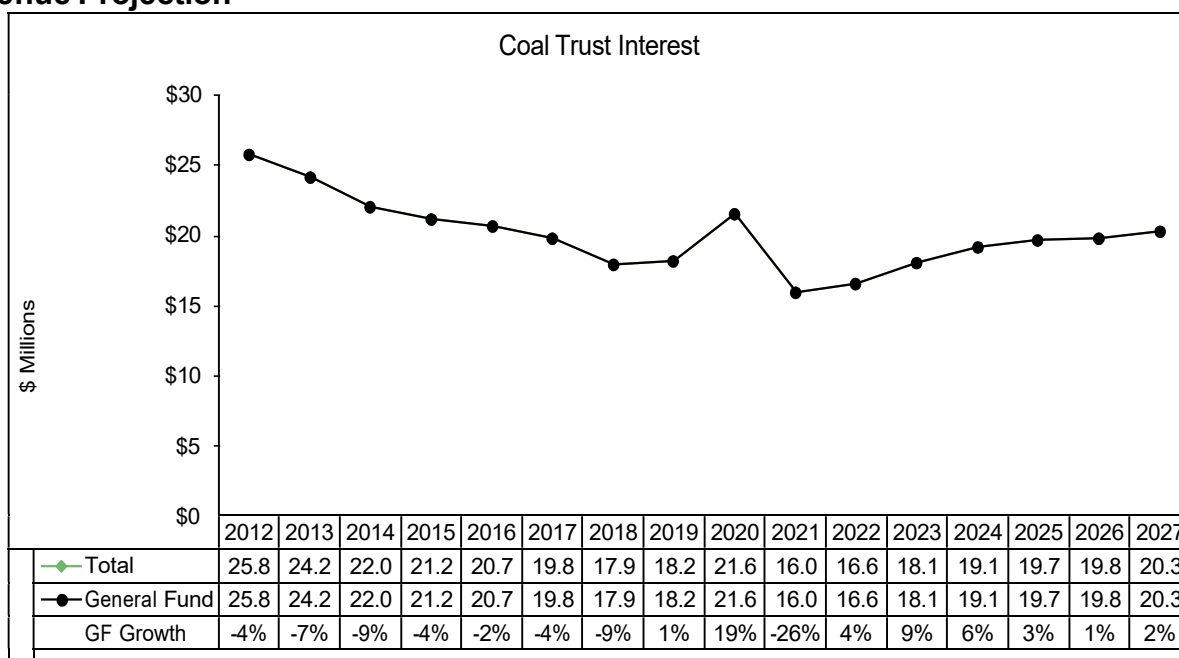
**Interest Earnings**
**Coal Trust Interest**

FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	In_State Interest \$ Millions	Other Interest \$ Millions	STIP Interest \$ Millions
A 2014	\$21.996	\$21.996	\$16.058	\$5.114	\$0.112	\$0.013
A 2015	21.168	21.168	15.360	4.585	0.149	0.019
A 2016	20.722	20.722	14.171	4.109	(0.091)	0.064
A 2017	19.799	19.799	12.838	4.216	(0.299)	0.219
A 2018	17.938	17.938	12.417	4.094	0.865	0.219
A 2019	18.172	18.172	12.749	3.911	1.099	0.398
A 2020	21.600	21.600	11.865	3.732	1.272	0.422
A 2021	15.967	15.967	11.100	3.667	1.154	0.041
A 2022	16.561	16.561	11.629	3.441	1.111	0.046
A 2023	18.105	18.105	12.998	3.324	1.109	0.526
A 2024	19.139	19.139	12.944	3.811	1.165	0.898
F 2025	19.681	19.681	12.841	4.023	1.200	1.616
F 2026	19.827	19.827	13.381	4.023	1.196	1.227
F 2027	20.289	20.289	14.076	4.023	1.192	0.997
F 2028	20.858	20.858	14.707	4.023	1.196	0.933
F 2029	20.652	20.652	14.587	4.023	1.195	0.847

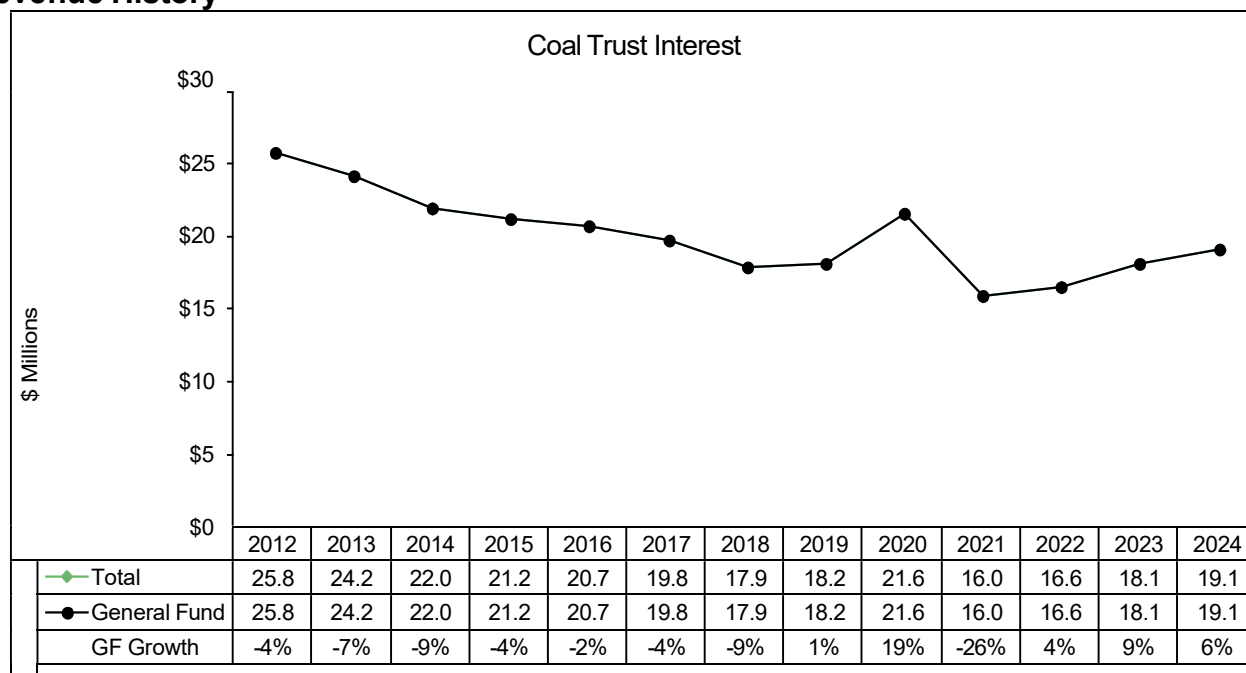
FY	TFBP Long Term Rate	Non Pool STIP Rate	Non Pool In State Rate	Non Pool STIP Bal \$ Millions	Non Pool In-State Bal \$ Millions	Invested TFBP Bal. \$ Millions
A 2014	4.3%	0.1%	4.6%	\$9.24	\$105.82	\$380.29
A 2015	4.1%	0.1%	4.5%	21.04	97.10	375.33
A 2016	3.9%	0.3%	3.9%	20.34	111.76	355.02
A 2017	3.6%	0.9%	3.7%	27.61	115.71	354.76
A 2018	3.5%	1.1%	3.3%	13.12	134.29	353.46
A 2019	3.6%	2.1%	3.1%	24.60	119.15	353.73
A 2020	3.4%	1.8%	2.8%	22.77	143.77	353.73
A 2021	3.2%	0.2%	2.6%	19.53	133.34	334.44
A 2022	3.4%	0.3%	2.6%	14.61	129.70	341.44
A 2023	3.8%	3.4%	2.7%	15.98	117.63	345.44
A 2024	3.9%	3.7%	3.1%	32.39	131.50	310.15
F 2025	3.8%	5.0%	3.1%	32.39	131.50	337.04
F 2026	4.0%	3.8%	3.1%	32.39	131.50	333.70
F 2027	4.2%	3.1%	3.1%	32.39	131.50	333.55
F 2028	4.4%	2.9%	3.1%	32.39	131.50	331.98
F 2029	4.4%	2.6%	3.1%	32.39	131.50	329.28

## Interest Earnings Revenue Projection

## Coal Trust Interest



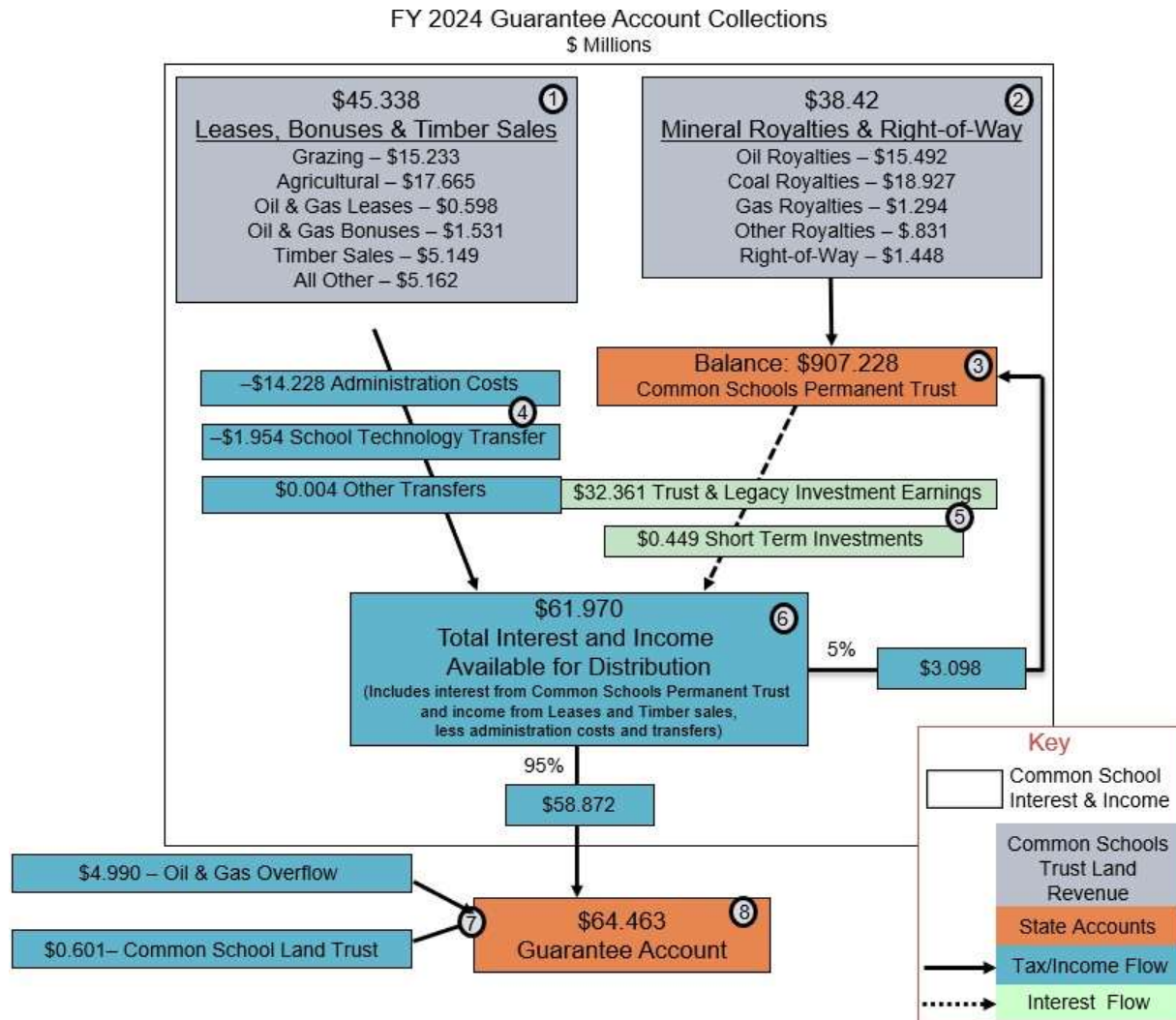
## Revenue History



### Common School Interest and Income

#### Revenue Description

The Common School Trust is a fund set up for the support of public schools using income generated from state common school trust land and the subsequent interest on the account. Lands granted by the federal government to the state for the benefit of public schools and various state institutions generate income through rents or crop shares for agricultural purposes, royalties from the sale of mineral rights, and sales of timber. The revenue estimate is net of administration costs for the Department of Natural Resources and Conservation (DNRC) and any other school-related transfers. The chart below shows the FY 2016 earnings and distribution, with subsequent descriptions of each numbered box.



\*Totals may not sum exactly due to rounding

□ Leases, Bonuses & Timber Sales: Lands granted by the federal government to the state for the benefit of public schools generate income. Common school lands produce two kinds of revenue: 1) distributable income such as interest earnings, agricultural rents or crop shares, and timber sale revenue; and 2) permanent income that is returned to the trust as income from the sale of minerals, land, and easements.

## **Interest Earnings**

## **Common School Interest and Income**

Box 1 is the distributable income. This common school land revenue includes leases, bonuses and timber sales under 18 million board feet. Revenue from timber sales over 18 million board feet is transferred to the school facility and technology account ([20-9-516, MCA](#)).

□ Mineral Royalties & Right-of-Way: This portion is deposited directly into the common schools permanent trust and includes sales of part of all of a piece of common schools trust land including extractable resources such as oil, natural gas, and coal.

□ Common Schools Permanent Trust: The [Enabling Act](#) states that “proceeds from the sale and other permanent disposition of any of the said lands and from every part thereof, shall constitute permanent funds for the support and maintenance of the public schools and the various State institutions for which the lands have been granted.” The Common Schools Permanent Trust is the permanent trust account in which school dedicated funds are held.

□ Costs & Transfer: The amount of revenue deposited to the guarantee account is net of amounts diverted for DNRC administration costs and those deposited directly to the school facility and technology account shown in Box 4. The administration costs diversion funds operational costs in DNRC for common school lands. The school facility and technology account receives timber revenue in excess of 18 million board feet ([77-1-218, MCA](#)). This reduces the amount of revenue distributable to the Guarantee Account.

□ Investment Earnings: Funds in the Common Schools Permanent Trust are invested by the [Montana Board of Investments](#), with the interest earned available for distribution. Most of the revenue, the Trust & Legacy Investment Earnings, comes from fixed-income investments. A small amount comes from short-term investments which is interest on the cash when it comes into the Montana Board of Investments and before it is invested in the longer-term Trust Funds Investment Pool.

□ Common School Trust Land Interest and Income: This amount is commonly referred to as common school interest and income. It is comprised of the income from leases, bonuses, and timber (Box 1) less costs and transfers (Box 4), plus interest from the Common Schools Permanent Trust (Box 5). The money is distributed as follows:

- 95% is transferred to the state special revenue guarantee account which is statutorily appropriated for schools
- 5% is reinvested in the Common Schools Permanent Trust
- Interest & income in excess of \$56 million is distributed to the school major maintenance account

□ Additional transfers which are not shown here but are included in the [Guarantee Account](#) section.

□ Guarantee Account: This is the state special revenue fund ([20-9-104, MCA](#)) which is statutorily appropriated to schools in the form of BASE aid. It is comprised of common school interest and income and other appropriations and is the first source of state school funding (used before general fund).

Note that the common school revenue is not the only source of Guarantee account revenue; see the [Guarantee Account](#) section for more information on total revenue transferred to that account.

## **Statutory Reference**

Distribution – [Montana Constitution Article X, Section 5](#); [20-9-342, MCA](#); [20-9-622, MCA](#)  
[Enabling Act](#), Section 10

Other – DNRC trust land administration diversion ([77-1-108, MCA](#) & [77-1-109, MCA](#))  
DNRC land bank administration diversion ([77-2-362, MCA](#))

Date Due – Last business day of February following the calendar year in which the money was received ([20-9-342, MCA](#)).

**Applicable Tax Rates:** N/A**Collection Frequency**

Revenue is received monthly; distribution to the state special revenue fund occurs three times per year.

**Distribution**

As described above, 95% of interest and income from the common school permanent trust fund (excluding a portion of timber sale revenue and after amounts diverted for DNRC administration) is distributed to the state special revenue guarantee account and is statutorily appropriated for schools. The remaining 5% is deposited to the permanent trust fund. The amount of timber sale revenue over 18 million board feet is deposited to the school facility and technology account. The amounts deposited to the Guarantee account are shown in this revenue source.

**Forecast Risks**

- Commodity prices and production
- Bond rates

**Revenue Estimate Methodology**Data

Data from SABHRS provides a history of each individual interest and income revenue component from which estimates can be made. DNRC annual reports and other data provide additional information such as mineral prices and production. DNRC provided data for easement sales and timber harvest volumes. S&P Global provides future estimates of West Texas Intermediate oil and national well head natural gas prices.

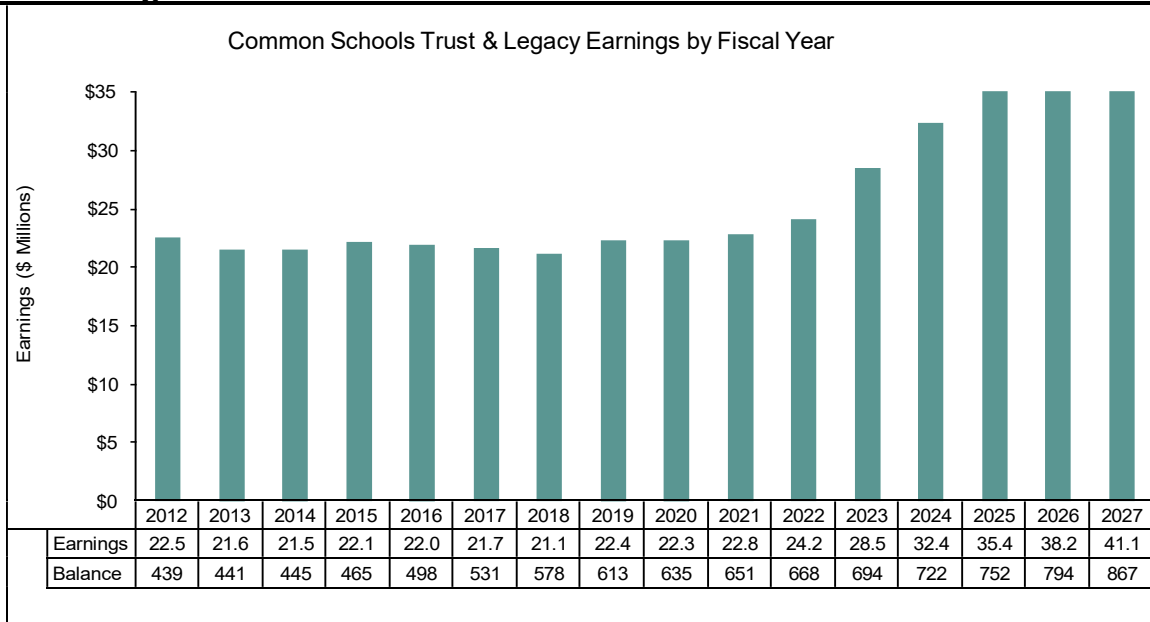
Analysis

In addition to interest earnings, the revenue components for this source are made up of timber, grazing, and agricultural fees, oil and gas bonuses, leases and penalties, mineral royalties and miscellaneous rentals. They are typically estimated using a moving average of recently completed fiscal years' collections.

The monetary assets of the common school trust are pooled with monetary assets of other land trusts (termed "Trust and Legacy") and invested by the Board of Investments (BOI) in the trust funds bond pool (TFBP). To forecast the total interest earned, estimated rates of return provided by the BOI are applied to the current and forecast invested balance. Money not invested in the TFBP earns interest at a short-term rate which is also forecast by BOI.

## Interest Earnings

## Common School Interest and Income



Diversions fund operational costs in DNRC but reduce the amount of permanent and distributable revenue that would have been deposited to the common school trust or distributed to the trust beneficiaries. The cost estimates are provided by DNRC.

The estimate assumes that distributable revenue is used to fund DNRC costs. The total expenditures requested to be made from the Trust Land Administration Account can be funded from distributable revenue, permanent revenue, or a combination of the two. It is up to the DNRC to decide. If permanent revenue is chosen, the corpus of the trust will not grow as rapidly as it would have and interest earnings from the trust will be less. If distributable revenue is chosen, the amount deposited to the Guarantee Fund to fund public schools will be less, thus requiring more funding from the general fund.

### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	STIP Interest \$ Millions	Common School Share T&L	Trust Land Admin
A 2014	\$49.735	-	\$23.042	\$0.007	93.3%	(\$9.031)
A 2015	48.346	-	24.044	0.003	92.0%	(9.551)
A 2016	47.010	-	23.894	0.004	91.9%	(10.419)
A 2017	43.062	-	23.612	0.013	92.0%	(10.873)
A 2018	41.848	-	22.923	0.033	92.0%	(10.804)
A 2019	45.980	-	24.257	0.062	92.0%	(10.615)
A 2020	41.186	-	23.984	0.091	92.6%	(11.935)
A 2021	47.761	-	24.603	0.008	92.8%	(9.512)
A 2022	46.366	-	26.149	0.019	92.4%	(12.292)
A 2023	48.654	-	30.381	0.399	92.5%	(12.934)
A 2024	59.473	-	34.403	0.469	92.8%	(14.228)
F 2025	55.032	-	35.670	0.752	92.8%	(14.522)
F 2026	57.702	-	38.801	0.642	92.8%	(14.916)
F 2027	60.635	-	42.173	0.535	92.8%	(15.316)
F 2028	63.877	-	45.706	0.474	92.8%	(15.616)
F 2029	62.572	-	44.944	0.443	92.8%	(15.978)

## Interest Earnings

## Common School Interest and Income

	Trust Income	T&L	TFBP	STIP	STIP
FY	New Deposit \$ Millions	Balance \$ Millions	Long Term Rate	Balance \$ Millions	Rate
A 2014	\$35.440	\$578.053	4.2%	\$2.546	0.1%
A 2015	26.197	612.524	4.0%	2.927	0.1%
A 2016	20.343	634.528	3.8%	2.585	0.2%
A 2017	16.456	650.603	3.7%	5.141	0.3%
A 2018	17.678	667.803	3.5%	7.514	0.5%
A 2019	24.635	693.503	3.6%	8.903	0.8%
A 2020	23.109	721.603	3.4%	5.898	1.2%
A 2021	31.019	751.963	3.3%	9.113	0.1%
A 2022	40.196	793.552	3.4%	9.445	0.2%
A 2023	74.877	867.028	3.7%	15.593	3.2%
A 2024	40.160	907.228	3.9%	20.155	2.6%
F 2025	34.477	936.212	3.8%	15.064	5.0%
F 2026	37.895	967.604	4.0%	16.937	3.8%
F 2027	36.911	999.351	4.2%	17.386	3.1%
F 2028	38.173	1,031.741	4.4%	16.462	2.9%
F 2029	39.123	1,065.023	4.2%	16.928	2.6%

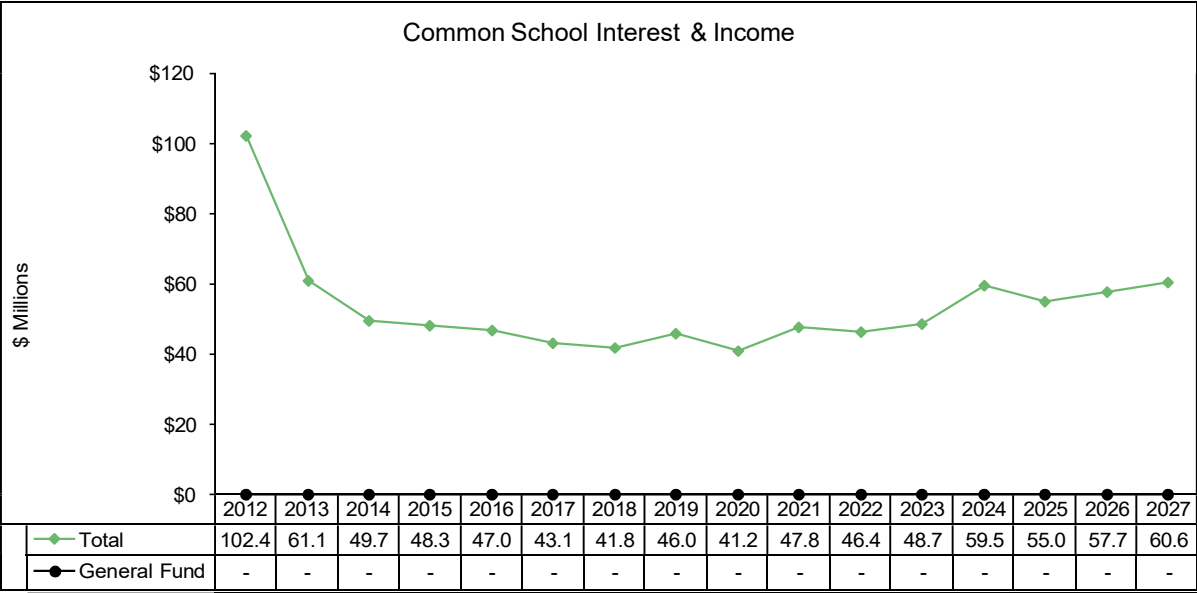
FY	Grazing \$ Millions	Agriculture \$ Millions	Oil & Gas Lease \$ Millions	Oil & Gas Bonus \$ Millions	Oil & Gas Penalty \$ Millions	Misc./Other Rentals \$ Millions	Avista Lease \$ Millions
A 2014	\$10.518	\$16.260	\$2.816	\$3.077	\$1.254	\$3.142	\$4.573
A 2015	13.125	13.762	1.894	1.888	1.124	3.378	0.000
A 2016	17.629	11.942	0.948	0.012	0.482	3.476	0.000
A 2017	12.848	13.163	0.830	0.330	0.428	3.632	-
A 2018	10.360	14.220	0.848	1.773	0.439	3.571	-
A 2019	12.231	15.943	0.704	1.136	0.321	4.022	-
A 2020	12.092	14.109	0.665	0.336	0.157	3.920	-
A 2021	12.482	16.015	0.564	0.101	0.048	2.701	-
A 2022	12.061	14.885	0.678	1.430	0.045	4.124	-
A 2023	12.368	15.638	0.642	0.033	0.069	4.526	-
A 2024	15.233	17.665	0.598	1.531	0.119	5.043	-
F 2025	13.036	15.663	0.827	0.998	0.165	4.056	-
F 2026	13.174	15.973	0.929	0.854	0.185	4.062	-
F 2027	13.453	15.965	1.029	1.128	0.205	4.086	-
F 2028	13.724	16.181	1.097	0.993	0.218	4.316	-
F 2029	13.347	16.289	1.156	0.992	0.230	4.348	-

FY	Int. STIP \$ Millions	Int. Trust \$ Millions	Timber \$ Millions	Oil Royalties \$ Millions	Gas Royalties \$ Millions	Coal Royalties \$ Millions	Other Royalties \$ Millions
A 2014	\$0.012	\$21.501	\$2.804	\$17.611	\$1.588	\$8.131	\$1.070
A 2015	0.01	22.13	3.13	12.58	1.22	7.86	0.53
A 2016	0.05	21.97	3.39	6.80	0.53	9.12	0.25
A 2017	0.08	21.72	3.16	6.30	0.54	6.80	0.33
A 2018	0.11	21.11	2.42	7.19	0.77	6.83	0.63
A 2019	0.23	22.38	3.01	8.58	0.64	11.37	0.48
A 2020	0.11	22.29	2.56	5.81	0.41	13.67	0.49
A 2021	0.02	22.83	3.47	4.47	0.92	13.12	0.37
A 2022	0.03	24.18	3.32	8.50	1.01	27.74	0.47
A 2023	0.24	28.48	3.17	16.06	1.67	46.25	0.38
A 2024	0.45	32.36	3.19	15.49	1.29	18.93	0.83
F 2025	0.75	35.41	3.14	13.35	1.22	13.58	0.83
F 2026	0.64	38.25	3.26	14.97	1.30	14.30	0.83
F 2027	0.54	41.12	3.22	14.60	1.37	14.94	0.83
F 2028	0.47	44.34	3.20	14.31	1.30	15.96	0.83
F 2029	0.44	43.56	3.20	14.62	1.30	16.53	0.83

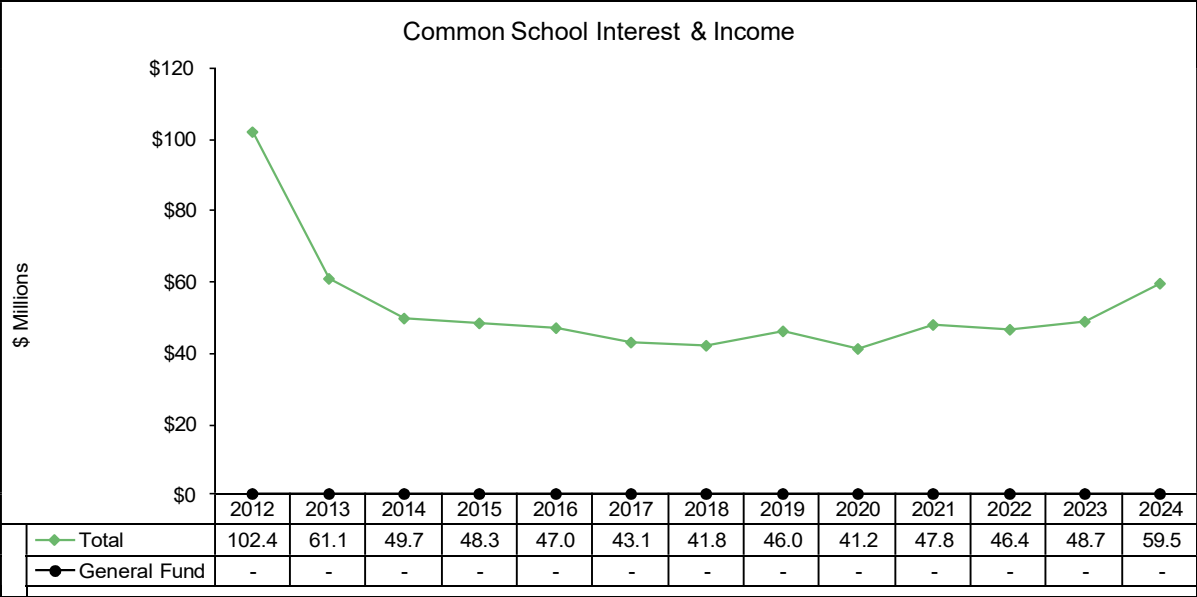


**Interest Earnings  
Revenue Projection**

**Common School Interest and Income**



**Revenue History**



## Conservation District Trust Interest

### Revenue Description

The Conservation District trust is one of several trusts set up with money from the coal severance tax. The deposits of coal severance tax revenue to this fund terminate when the size of the balance of the fund reaches \$100 million, at which point the distribution will move to the newly created Coal Board Fund. For more information on the coal permanent trust earnings and distributions, see the chart in the Coal Severance Tax section.

[Article IX, Section 5](#) of the Montana Constitution requires that 50% of all coal severance tax revenue be deposited in a permanent coal trust fund in which appropriation of the principal requires a three-fourths vote of each house of the legislature. Coal severance tax funds flowing into the trust fund are first used to secure and subsidize state bonds issued to finance water resource and renewable resource development projects and activities. The remaining funds are then split 25% (12.5% of total revenue) to the Big Sky Economic Development trust fund, 65% (32.5% of total revenue) to the Conservation District fund created by [HB 321](#) (2023 session), and the remaining 10% (5% of total revenue) to the School Facilities Fund.

### Statutory Reference

Distribution – [Montana Constitution, Article IX, Section 5](#); [17-5-703 \(5b\), MCA](#); [76-15-106, MCA](#)

Date Due – Monthly ([17-5-703\(5b\), MCA](#))

**Applicable Tax Rates:** N/A

**Collection Frequency:** Monthly

### Distribution

Interest earnings are deposited in the conservation district special revenue account. The account is to be administered by the department of natural resources and conservation for providing funding for conservation districts.

### Forecast Risks

- Short and long-term interest rates
- Bond rates
- Coal price and production

### Revenue Estimate Methodology

#### Data

The Board of Investments (BOI) provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by the BOI and historic interest collections are obtained from SABHRS.

#### Analysis

Each of the following interest or income components are estimated independently and combined to produce the overall estimate:

- Trust funds bond pool (TFBP)
- Short-term investment pool (STIP)
- New trust deposits

The TFBP was formed in 1995 to manage the fixed investments held in the state's major trust funds. Each trust owns "shares" of the pool and interest earnings are paid to each trust on a per-share basis.

## Interest Earnings

## Conservation Districts Trust Interest

TFBP earnings are the largest source of earnings for the trust. TFBP earnings are forecast by applying estimated return rates, provided by the BOI, to the current and forecast trust balance.

STIP interest is earned on the temporary investment of trust funds. Funds are acquired from activities such as new deposits and investment sales. Funds are held in STIP until the BOI determines that conditions are favorable for deposit in the TFBP. Short-term interest forecasts from BOI are applied to money not invested in the TFBP to calculate future STIP earnings.

Coal severance tax distributions to the trust are considered new deposits. New deposits are transferred to the trust on a quarterly basis. When the BOI receives the coal tax transfer, the funds are immediately invested in STIP. Funds are expected to remain in STIP for one month before being invested in the TFBP. These new trust deposits are forecast using estimates of coal severance tax collections.

## Revenue Estimate Assumptions

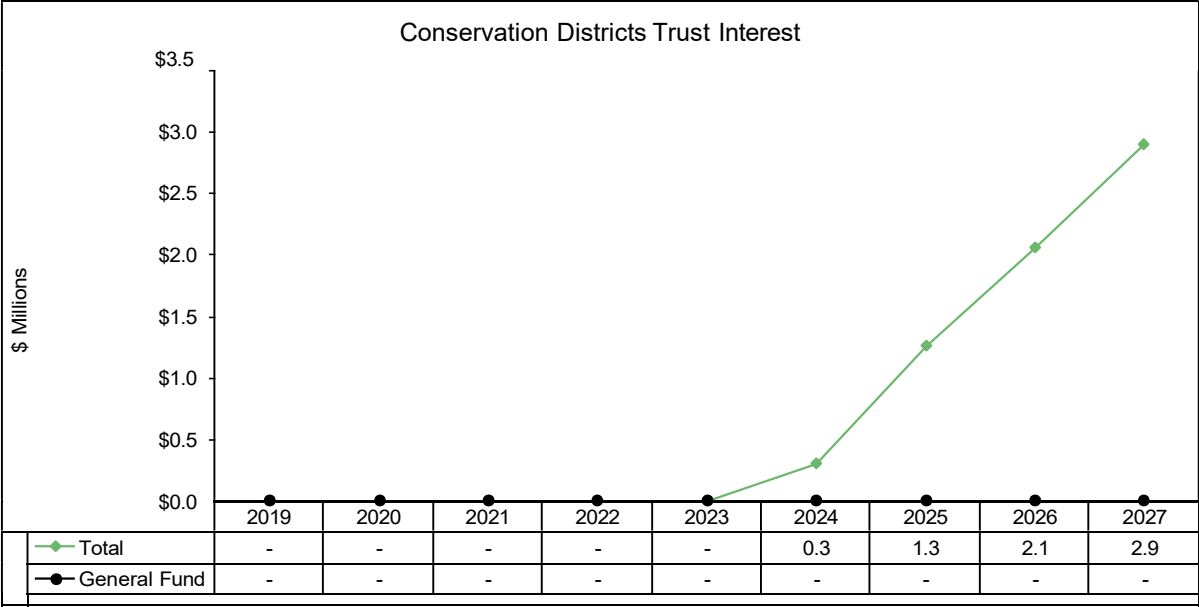
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	STIP Interest \$ Millions	Loan Interest \$ Millions	Invested Balance \$ Millions	TFBP Long Term Rate
A 2014							
A 2015							
A 2016							
A 2017							
A 2018							
A 2019							
A 2020							
A 2021							
A 2022							
A 2023							
A 2024	0.30	-	0.24	0.10	-	16.50	2.9%
F 2025	1.26	-	1.02	0.15	-	37.29	3.8%
F 2026	2.06	-	1.88	0.11	-	56.47	4.0%
F 2027	2.90	-	2.76	0.09	-	74.32	4.2%
F 2028	3.79	-	3.66	0.09	-	90.98	4.4%
F 2029	4.14	-	4.03	0.08	-	100.00	4.2%

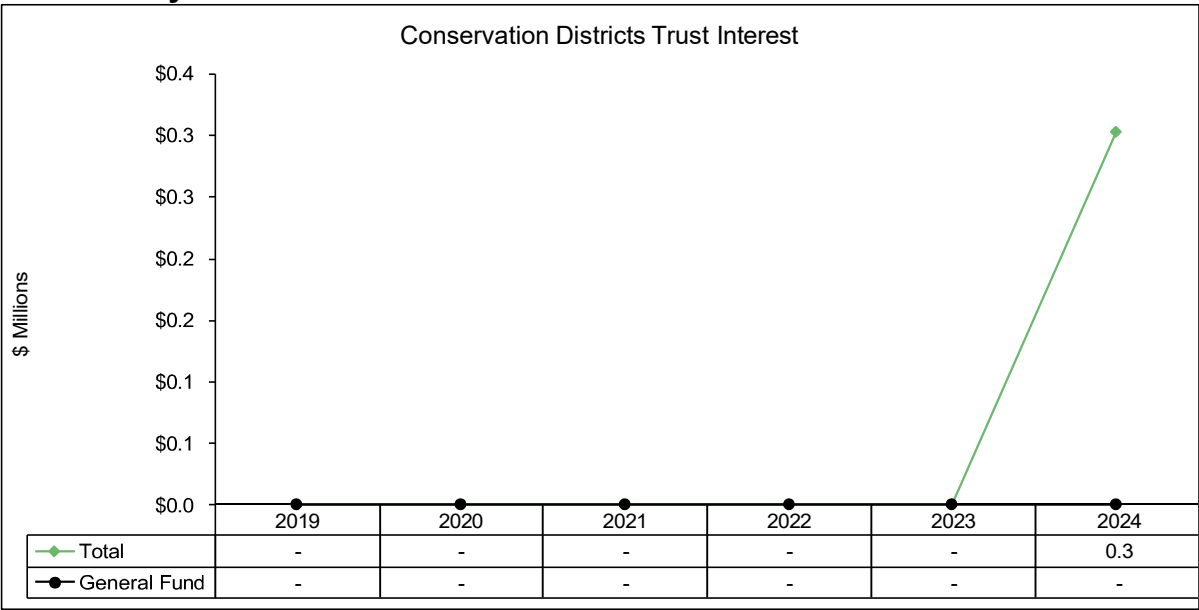
FY	Net Coal Tax New Deposit \$ Millions	Non Pool STIP Bal \$ Millions	Non Pool STIP Rate
A 2014			
A 2015			
A 2016			
A 2017			
A 2018			
A 2019			
A 2020			
A 2021			
A 2022			
A 2023			
A 2024	19.290	3.022	5.10%
F 2025	20.792	3.022	4.99%
F 2026	19.180	3.022	3.79%
F 2027	17.848	3.022	3.08%
F 2028	16.657	3.022	2.88%
F 2029	15.635	3.022	2.61%

Interest Earnings  
Revenue Projection

Conservation Districts Trust Interest



Revenue History



**Cultural Trust Interest****Revenue Description**

The Cultural Trust is one of several trusts set up with money from the coal severance tax. The interest money from this fund is used primarily for works of art in the capitol and for other cultural and aesthetic projects. For more information on the coal permanent trust earnings and distributions, see the chart in the Coal Severance Tax section.

**Statutory Reference**

Distribution – [15-35-108\(6\), MCA](#); [22-2-305, MCA](#)

**Applicable Tax Rates:** N/A

**Collection Frequency:** Monthly

**Distribution**

All income from the trust is deposited in a state special revenue fund to be appropriated for protection of art in the state capitol and for other cultural and aesthetic projects.

**Forecast Risks**

- Short and long-term interest rates
- Bond rates
- Coal price and production

**Revenue Estimate Methodology**Data

The Board of Investments (BOI) provides historic interest earnings from the trust as well as the gains and losses from the sale of investment instruments. Projections of interest rates are provided by the BOI, and historic earnings are provided from SABHRS.

Analysis

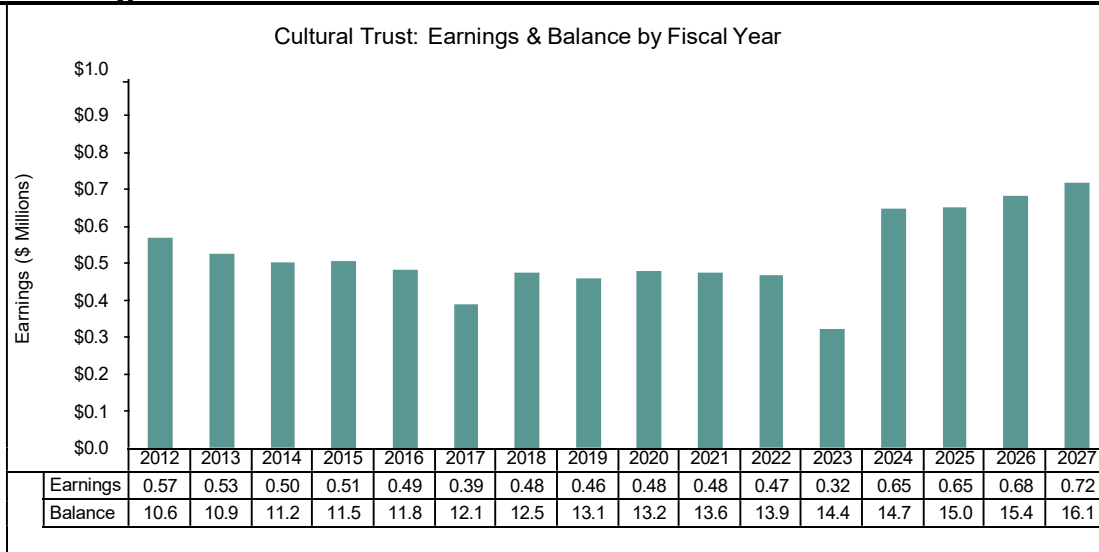
Each of the following interest or income components are estimated independently and combined to produce the estimate:

- Trust fund bond pool (TFBP)
- Short-term investment pool (STIP)
- New trust deposits

TFBP earnings are forecast by applying estimated return rates, provided by the BOI, to the current and forecast trust balance.

## Interest Earnings

## Cultural Trust Interest



STIP interest is earned on the temporary investment of trust funds. Funds are acquired from activities such as new deposits and investment sales. Funds are held in STIP until the BOI determines that conditions are favorable for deposit in the TFBP. Short-term interest forecasts from BOI are applied to money not invested in the TFBP to calculate future STIP earnings.

The 0.63% coal severance tax distribution to the cultural trust is considered new deposits. New deposits are transferred to the trust on a quarterly basis. These new trust deposits are forecast using estimates of coal severance tax collections.

## Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

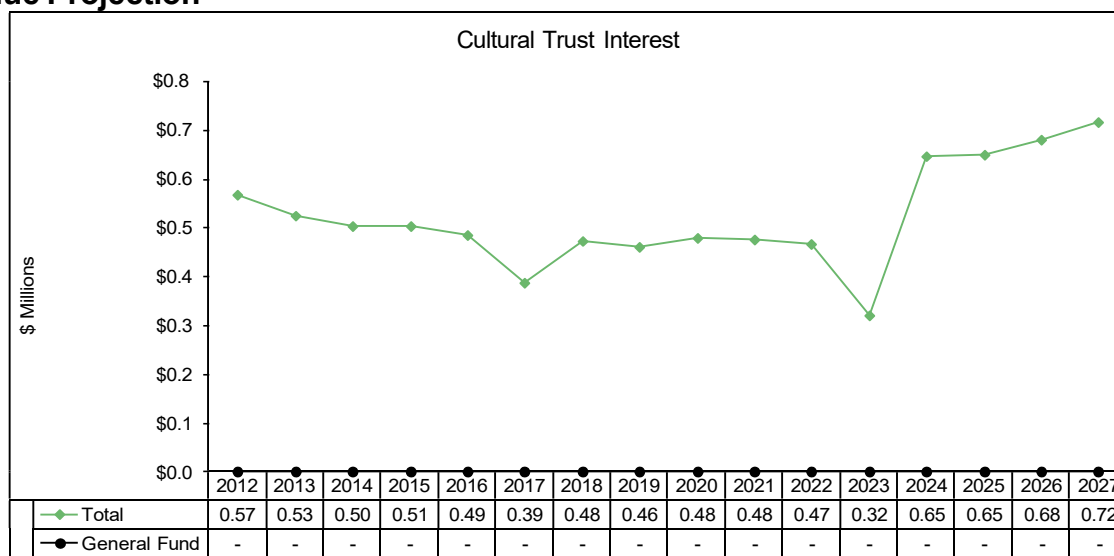
FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	STIP Interest \$ Millions	Invested Balance \$ Millions	TFBP Long Term Rate
A 2014	\$0.504	-	\$0.504	\$0.000	\$12.230	4.2%
A 2015	0.506	-	0.501	0.000	12.880	4.0%
A 2016	0.485	-	0.492	0.001	13.059	3.8%
A 2017	0.389	-	0.482	0.002	13.309	3.7%
A 2018	0.476	-	0.466	0.004	13.559	3.5%
A 2019	0.461	-	0.484	0.011	13.759	3.5%
A 2020	0.480	-	0.472	0.011	14.159	3.4%
A 2021	0.476	-	0.475	0.001	14.159	3.4%
A 2022	0.468	-	0.492	0.002	14.809	3.4%
A 2023	0.321	-	0.566	0.022	15.384	3.8%
A 2024	0.648	-	0.614	0.034	15.984	3.9%
F 2025	0.652	-	0.615	0.035	16.151	3.8%
F 2026	0.682	-	0.654	0.027	16.309	4.0%
F 2027	0.717	-	0.694	0.022	16.456	4.2%
F 2028	0.756	-	0.735	0.020	16.593	4.4%
F 2029	0.725	-	0.706	0.018	16.723	4.2%

## Interest Earnings

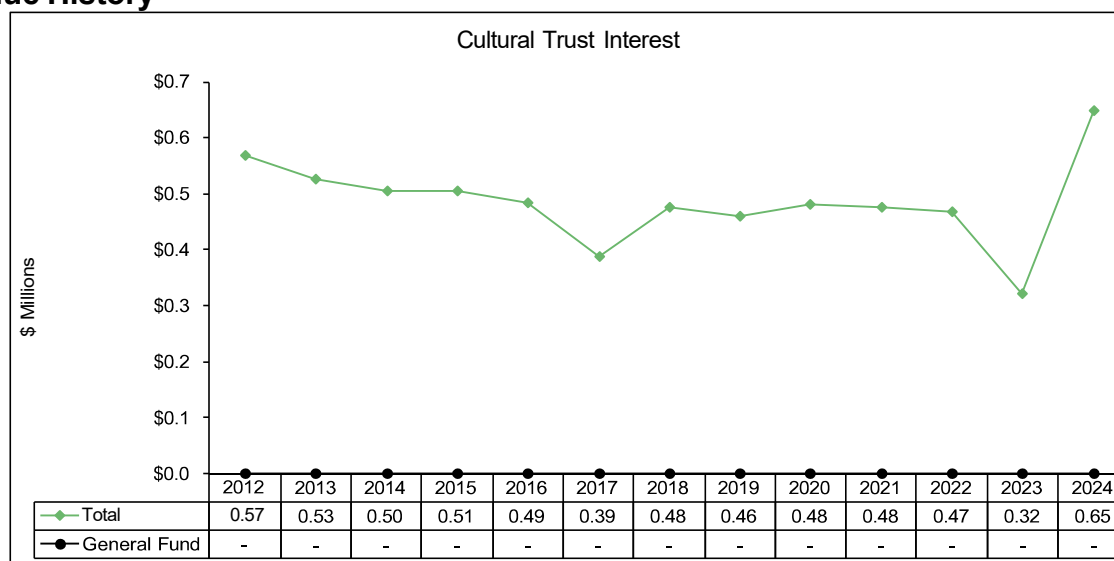
## Cultural Trust Interest

FY	Net Coal Tax New Deposit \$ Millions	Non Pool STIP Bal \$ Millions	Non Pool STIP Rate
A 2014	\$0.363	\$0.258	0.2%
A 2015	0.384	0.171	0.2%
A 2016	0.380	0.132	0.8%
A 2017	0.370	0.327	0.9%
A 2018	0.379	0.360	1.3%
A 2019	0.378	0.599	2.2%
A 2020	0.295	0.508	2.0%
A 2021	0.273	0.814	0.2%
A 2022	0.412	0.543	0.3%
A 2023	0.557	0.707	3.6%
A 2024	0.486	0.705	4.8%
F 2025	0.334	0.705	5.0%
F 2026	0.315	0.705	3.8%
F 2027	0.294	0.705	3.1%
F 2028	0.275	0.705	2.9%
F 2029	0.258	0.705	2.6%

## Revenue Projection



## Revenue History



**Deaf and Blind Trust Interest and Income****Revenue Description**

The Deaf and Blind Trust is a fund set up for the support of the School for the Deaf and Blind using income generated from state land and the subsequent interest on the account. Lands granted by the federal government to the state for the benefit of public schools and various state institutions generate income through rents or crop shares for agricultural purposes, royalties from the sale of mineral rights, and sales of timber. Up to 25% of distributable revenue may be diverted to the trust land administration account to fund the Department of Natural Resources & Conservation (DNRC) administrative costs.

**Statutory Reference**

Distribution – [20-8-110, MCA](#)  
[Enabling Act](#), Sections 11 & 17

Other – DNRC trust land administration diversion ([77-1-108, MCA](#) & [77-1-109, MCA](#))  
DNRC land bank administration diversion ([77-2-362, MCA](#))

**Applicable Tax Rates:** N/A

**Collection Frequency:** Monthly

**Distribution**

Interest and income from the trust, net of amounts to fund DNRC administration costs, are allocated to the School for the Deaf and Blind.

**Forecast Risks**

- Short and long-term interest rates
- Bond rates

**Revenue Estimate Methodology**Data

SABHRS data provide a history of each individual interest and income revenue component; DNRC annual reports and other data provide additional information such as mineral production and timber estimates; and DNRC estimates for operating costs are used for the forecast diversion amounts.

Analysis

Trust and Legacy Earnings: The monetary assets of the trust are pooled with monetary assets of other land trusts in the T & L and invested by the Board of Investment in the trust funds bond pool. Based on the number of share each trust owns, a share of the earnings is deposited in each trust. The Deaf and Blind trust share is 0.8%. The total pool earnings is a sum of the following:

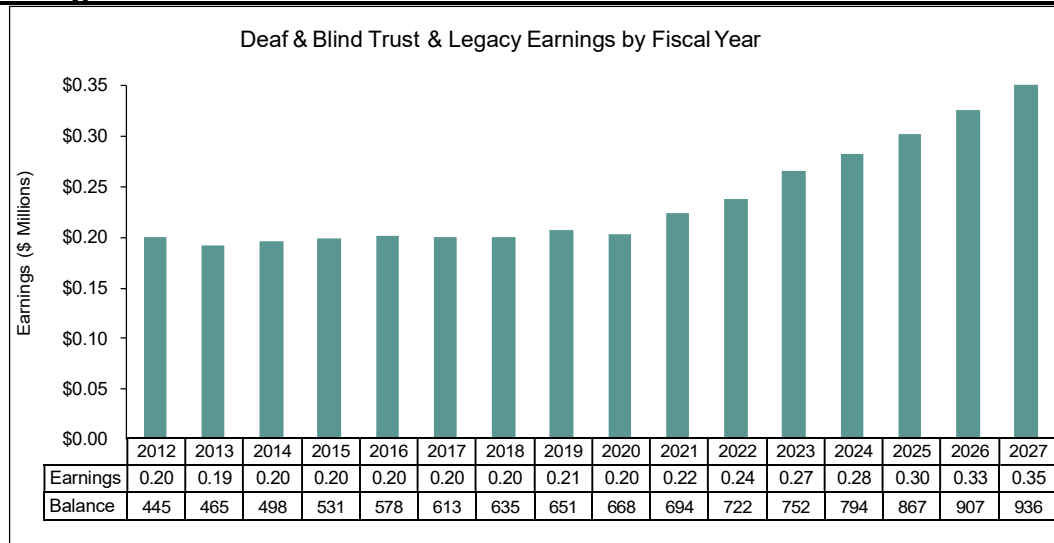
- Earnings from new deposits – New deposits in the pool initially earn interest at the short-term rate before it is invested in a longer-term investment. BOI forecasts for short-term interest rates are used to project these interest earnings.
- Earnings from existing balance – Most of these funds have been invested in bonds purchased over the past several years. Estimated return rates from the BOI are applied to the current and forecast trust balance to calculate the estimate.
- Non-portfolio earnings – Money not invested in the trust funds bond pool earns interest at the short-term rate.

Once the total amount of the pool earnings has been estimated by summing the above three items, it is multiplied by the Deaf and Blind trust share of 0.8%.



## Interest Earnings

## Deaf and Blind Interest and Income



Remaining revenue sources such as grazing and agricultural fees, as well as mineral royalties and oil and gas leases are typically estimated using a time series or assuming no growth from the previous fiscal year.

Future diversion amounts are based on estimates from the DNRC, and are assumed to be funded with distributable revenue.

### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

	Total Rev.	GF Rev.	TFBP	STIP	Deaf &	D&B
FY	\$ Millions	\$ Millions	Interest	Interest	Blind Share	T&L Interest
			\$ Millions	\$ Millions	T&L	\$ Millions
A 2014	\$0.275	-	\$23.042	\$0.007	0.8%	\$0.196
A 2015	0.315	-	24.044	0.003	0.8%	0.199
A 2016	0.344	-	23.894	0.004	0.8%	0.201
A 2017	0.277	-	23.612	0.013	0.8%	0.200
A 2018	0.259	-	22.923	0.033	0.8%	0.200
A 2019	0.319	-	24.257	0.062	0.8%	0.207
A 2020	0.281	-	23.984	0.091	0.8%	0.203
A 2021	0.278	-	24.603	0.008	0.8%	0.225
A 2022	0.254	-	26.149	0.019	0.8%	0.238
A 2023	0.281	-	30.381	0.399	0.8%	0.266
A 2024	0.327	-	34.403	0.469	0.8%	0.283
F 2025	0.363	-	35.670	0.752	0.8%	0.302
F 2026	0.387	-	38.801	0.642	0.8%	0.327
F 2027	0.424	-	42.173	0.535	0.8%	0.354
F 2028	0.465	-	45.706	0.474	0.8%	0.383
F 2029	0.462	-	44.944	0.443	0.8%	0.376

## Interest Earnings

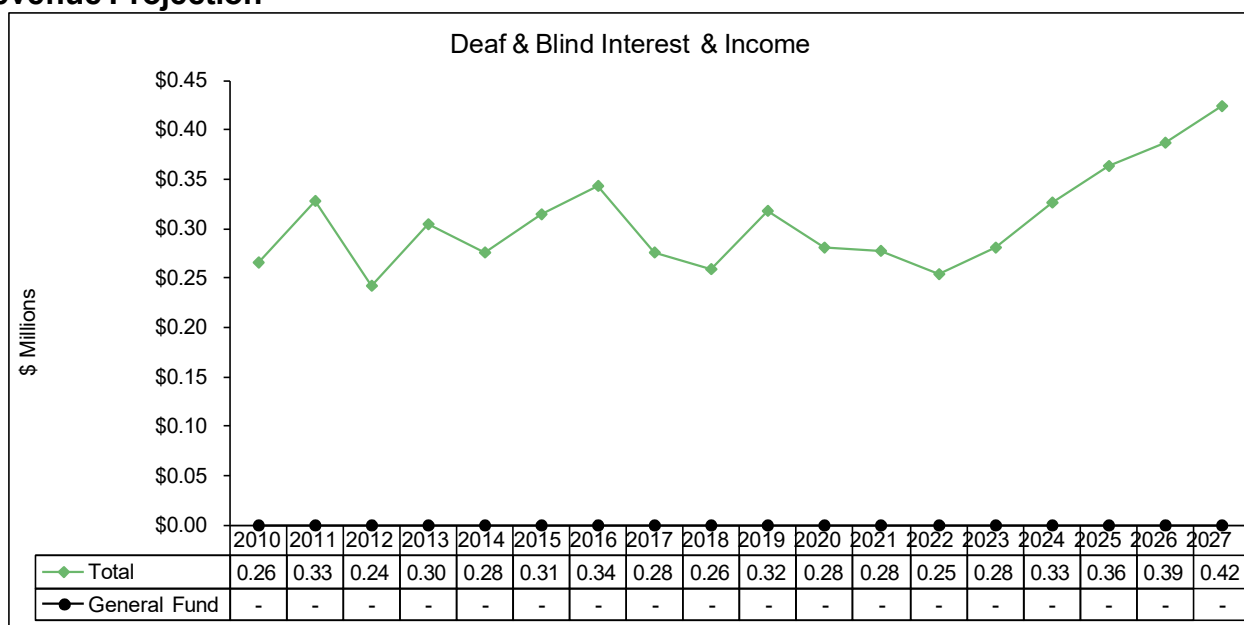
## Deaf and Blind Interest and Income

FY	Trust Income New Deposit \$ Millions	TFBP Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal \$ Millions	T&L Balance \$ Millions
A 2014	\$35.440	4.2%	0.1%	\$2.546	\$578.053
A 2015	26.197	4.0%	0.1%	2.927	612.524
A 2016	20.343	3.8%	0.3%	2.585	634.528
A 2017	16.456	3.7%	0.7%	5.141	650.603
A 2018	17.678	3.5%	1.5%	7.514	667.803
A 2019	24.635	3.6%	2.1%	8.903	693.503
A 2020	23.109	3.4%	1.3%	5.898	721.603
A 2021	31.019	3.3%	0.2%	9.113	751.963
A 2022	40.196	3.4%	1.1%	9.445	793.552
A 2023	74.877	3.7%	3.6%	15.593	867.028
A 2024	40.160	3.9%	5.1%	20.155	907.228
F 2025	34.477	3.8%	5.0%	15.064	936.212
F 2026	37.895	4.0%	3.8%	16.937	967.604
F 2027	36.911	4.2%	3.1%	17.386	999.351
F 2028	38.173	4.4%	2.9%	16.462	1,031.741
F 2029	39.123	4.2%	2.6%	16.928	1,065.023

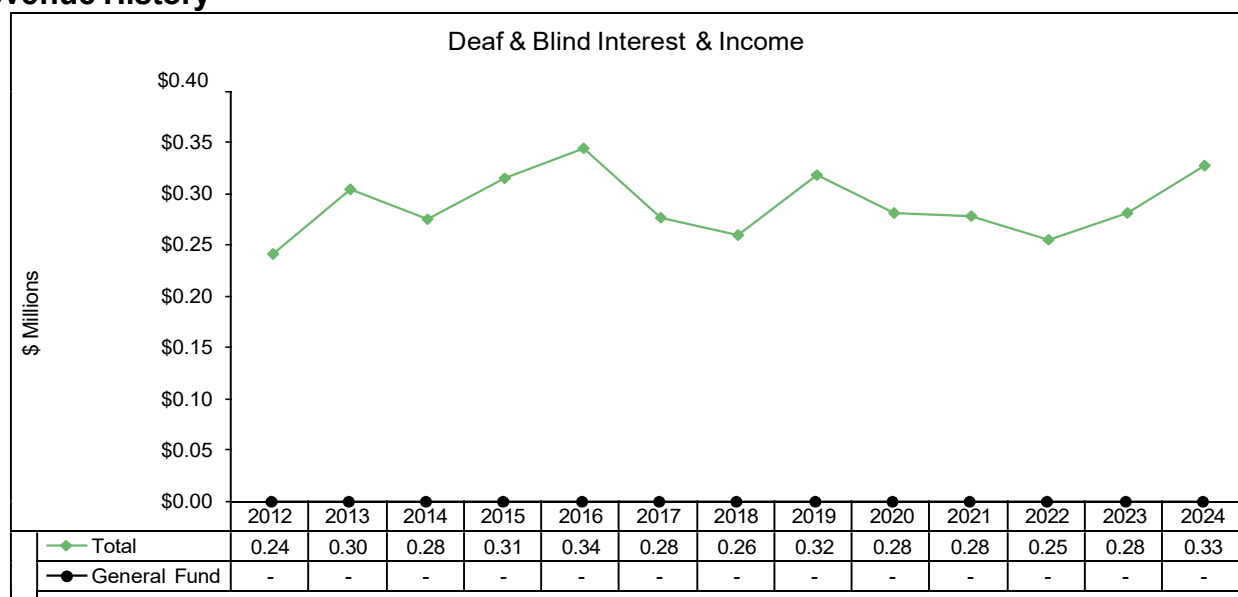
FY	Grazing \$ Millions	Agriculture \$ Millions	Oil & Gas Lease \$ Millions	Oil & Gas Bonus \$ Millions	Oil & Gas Penalty \$ Millions	Misc. \$ Millions	TLMD Adm. \$ Millions
A 2014	\$0.088	\$0.027	\$0.006	-	\$0.003	\$0.106	(0.143)
A 2015	0.108	0.055	0.005	-	0.003	0.110	(0.150)
A 2016	0.146	0.048	-	-	-	0.105	(0.134)
A 2017	0.105	0.035	-	-	-	0.085	(0.139)
A 2018	0.084	0.032	-	-	-	0.092	(0.141)
A 2019	0.102	0.061	-	-	-	0.087	(0.139)
A 2020	0.100	0.066	-	-	-	0.126	(0.189)
A 2021	0.104	0.044	-	-	-	0.103	(0.198)
A 2022	0.100	0.039	-	-	-	0.116	(0.230)
A 2023	0.110	0.056	-	-	-	0.122	(0.267)
A 2024	0.134	0.051	-	-	-	0.600	(0.263)
F 2025	0.115	0.045	-	-	-	0.155	(0.253)
F 2026	0.116	0.046	-	-	-	0.159	(0.261)
F 2027	0.118	0.046	-	-	-	0.165	(0.259)
F 2028	0.121	0.047	-	-	-	0.173	(0.258)
F 2029	0.117	0.047	-	-	-	0.181	(0.259)

## Interest Earnings Revenue Projection

## Deaf and Blind Interest and Income



## Revenue History



**Economic Development Trust Interest****Revenue Description**

The Economic Development trust is one of several trusts set up with money from the coal severance tax. The interest money from this fund is used primarily for economic development by local governments and certified regional and economic development organizations. The deposits of coal severance tax revenue to this fund terminate at the end of FY 2025. For more information on the coal permanent trust earnings and distributions, see the chart in the [Coal Severance Tax](#) section.

[Article IX, Section 5](#) of the Montana Constitution requires that 50% of all coal severance tax revenue be deposited in a permanent coal trust fund in which appropriation of the principal requires a three-fourths vote of each house of the legislature. Coal severance tax funds flowing into the trust fund are first used to secure and subsidize state bonds issued to finance water resource and renewable resource development projects and activities. The remaining funds are then split 25% (12.5% of total revenue) to the Big Sky Economic Development trust fund, 65% (32.5% of total revenue) to the Conservation District fund created by [HB 321](#) (2023 session), and the remaining 10% (5% of total revenue) to the School Facilities Fund.

**Statutory Reference**

Distribution – [Montana Constitution, Article IX, Section 5](#); [17-5-703 \(5b\), MCA](#); [90-1-205, MCA](#)

Date Due – Monthly ([17-5-703\(5b\), MCA](#))

**Applicable Tax Rates:** N/A

**Collection Frequency:** Monthly

**Distribution**

Interest earnings are deposited to a state special revenue fund and are statutorily appropriated to the Department of Commerce to pay administrative expenses with the remainder for:

- 75% to local governments to be used for job creation; and
- 25% to certified regional development corporations and economic development organizations

**Forecast Risks**

- Short and long-term interest rates
- Bond rates
- Coal price and production

**Revenue Estimate Methodology**Data

The Board of Investments (BOI) provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by the BOI and historic interest collections are obtained from SABHRS.

Analysis

Each of the following interest or income components are estimated independently and combined to produce the overall estimate:

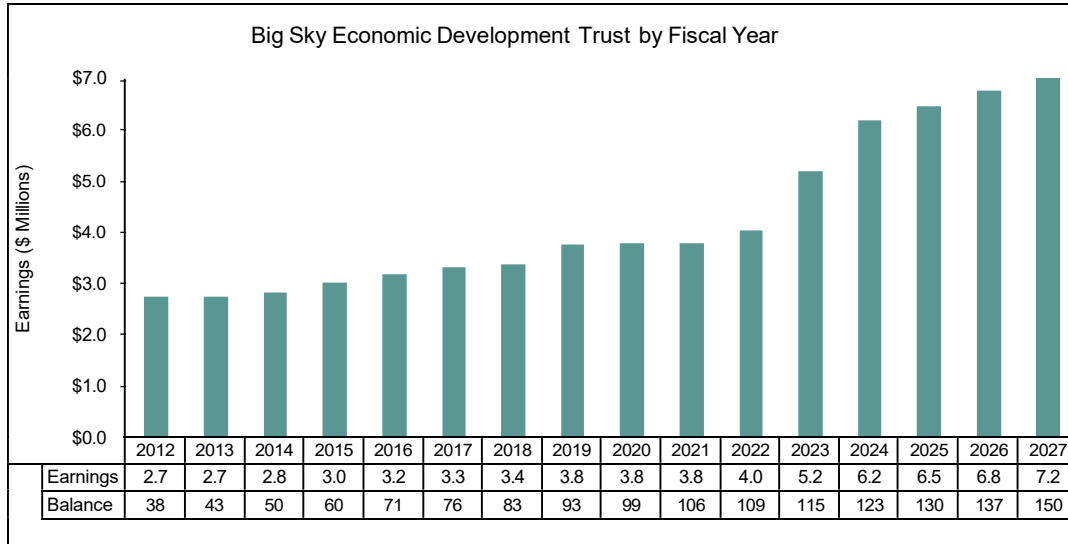
- Trust funds bond pool (TFBP)
- Short-term investment pool (STIP)
- New trust deposits

The TFBP was formed in 1995 to manage the fixed investments held in the state's major trust funds. Each trust owns "shares" of the pool and interest earnings are paid to each trust on a per-share basis.

## Interest Earnings

## Economic Development Trust Interest

TFBP earnings are the largest source of earnings for the trust, as shown in the figure below. TFBP earnings are forecast by applying estimated return rates, provided by the BOI, to the current and forecast trust balance.



STIP interest is earned on the temporary investment of trust funds. Funds are acquired from activities such as new deposits and investment sales. Funds are held in STIP until the BOI determines that conditions are favorable for deposit in the TFBP. Short-term interest forecasts from BOI are applied to money not invested in the TFBP to calculate future STIP earnings.

Coal severance tax distributions to the trust are considered new deposits. New deposits are transferred to the trust on a quarterly basis. When the BOI receives the coal tax transfer, the funds are immediately invested in STIP. Funds are expected to remain in STIP for one month before being invested in the TFBP. These new trust deposits are forecast using estimates of coal severance tax collections.

## Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

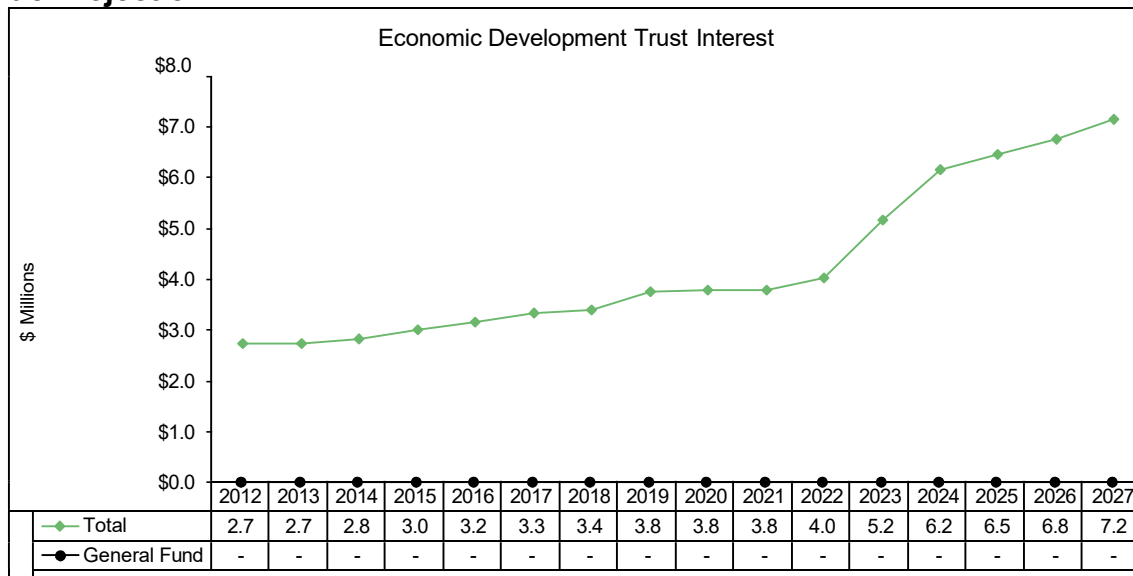
FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	STIP Interest \$ Millions	Invested Balance \$ Millions	TFBP Long Term Rate
A 2014	\$2.822	-	\$2.807	\$0.015	\$72.749	3.9%
A 2015	3.022	-	3.009	0.014	82.292	3.7%
A 2016	3.171	-	3.126	0.045	87.999	3.6%
A 2017	3.326	-	3.227	0.099	94.349	3.4%
A 2018	3.387	-	3.229	0.158	98.849	3.3%
A 2019	3.756	-	3.562	0.194	107.249	3.3%
A 2020	3.782	-	3.650	0.133	114.249	3.2%
A 2021	3.789	-	3.768	0.021	118.999	3.2%
A 2022	4.034	-	3.998	0.036	126.499	3.2%
A 2023	5.182	-	4.720	0.463	136.999	3.4%
A 2024	6.176	-	5.321	0.856	145.999	3.6%
F 2025	6.460	-	5.715	0.712	149.998	3.8%
F 2026	6.775	-	6.163	0.589	153.686	4.0%
F 2027	7.156	-	6.630	0.508	157.118	4.2%
F 2028	7.562	-	7.102	0.444	160.322	4.4%
F 2029	7.319	-	6.892	0.413	163.328	4.2%

## Interest Earnings

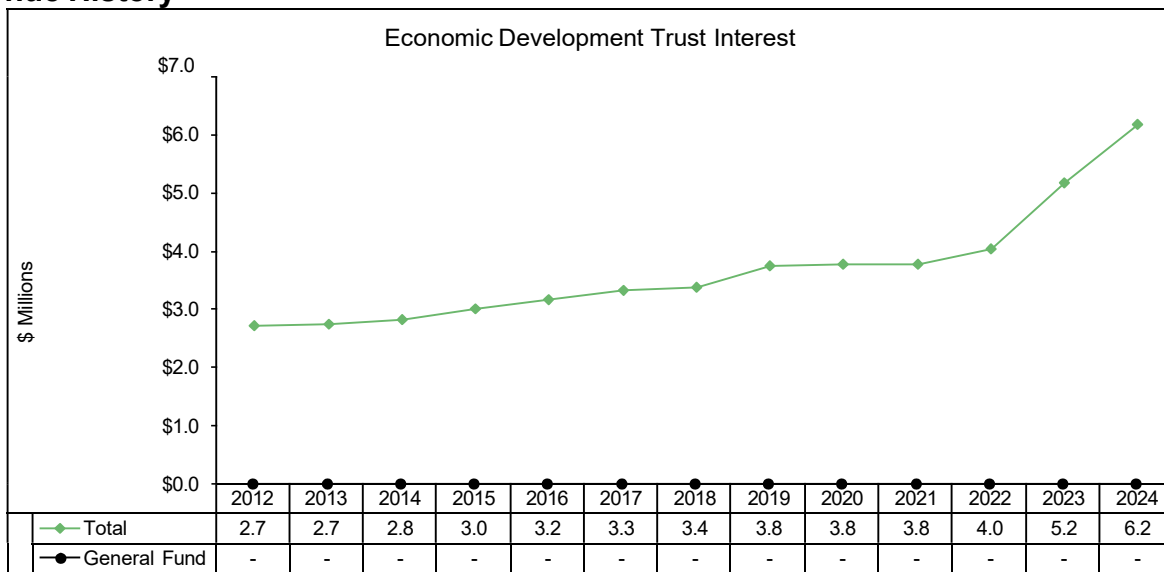
## Economic Development Trust Interest

	Net Coal Tax New Deposit	STIP Balance	Non Pool STIP Rate
FY	\$ Millions	\$ Millions	
A 2014	\$7.210	\$10.158	0.1%
A 2015	7.611	10.604	0.1%
A 2016	7.545	10.815	0.4%
A 2017	7.351	11.655	0.9%
A 2018	7.512	10.044	1.6%
A 2019	7.504	7.769	2.5%
A 2020	5.844	8.587	1.5%
A 2021	5.065	10.898	0.2%
A 2022	8.167	10.461	0.3%
A 2023	11.055	12.688	3.7%
A 2024	9.926	19.641	4.4%
F 2025	7.997	14.263	5.0%
F 2026	7.377	15.531	3.8%
F 2027	6.865	16.479	3.1%
F 2028	6.406	15.424	2.9%
F 2029	6.01	15.811	2.6%

## Revenue Projection



## Revenue History



**Parks Trust Interest****Revenue Description**

The Parks Trust is one of several trusts set up with money from the coal severance tax. Income from the parks trust must be appropriated for the acquisition, development, operation, and maintenance of state parks, state recreational areas, state monuments, and state historical sites under control of the Department of Fish, Wildlife and Parks (FWP). For more information on the coal permanent trust earnings and distributions, see the chart in the [Coal Severance Tax](#) section.

**Statutory Reference**

Distribution – [15-35-108\(4\), MCA](#)

**Applicable Tax Rates:** N/A

**Collection Frequency:** Monthly

**Distribution**

Interest earnings on the parks trust are allocated to FWP and deposited to a state special revenue fund.

**Forecast Risks**

- Short- and long-term interest rates
- Bond rates
- Coal price and production

**Revenue Estimate Methodology**Data

The Board of Investments (BOI) provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by the BOI and historic interest collections are obtained from SABHRS.

Analysis

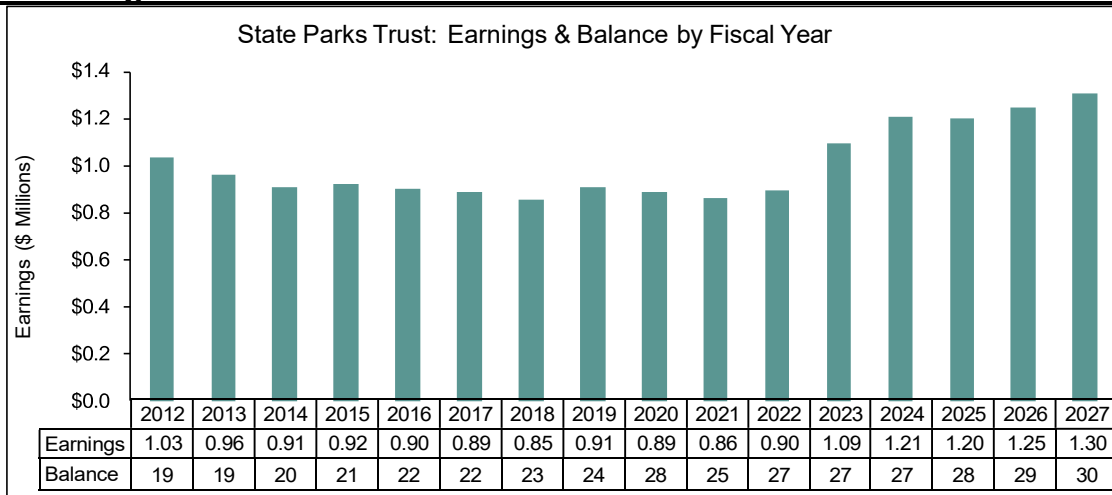
Each of the following interest or income components are estimated independently and combined to produce the overall estimate:

- Trust funds bond pool (TFBP)
- Short-term investment pool (STIP)
- New trust deposits

The TFBP was formed in 1995 to manage the fixed investments held in the state's major trust funds. Each trust owns "shares" of the pool and interest earnings are paid to each trust on a per-share basis. TFBP earnings are the largest source of earnings for the trust, as shown in the figure below. TFBP earnings are forecast by applying estimated return rates, provided by the BOI, to the current and forecast trust balance.

## Interest Earnings

## Parks Trust Interest



STIP interest is earned on the temporary investment of trust funds. Funds are acquired from activities such as new deposits and investment sales. Funds are held in STIP until the BOI determines that conditions are favorable for deposit in the TFBP. Short-term interest forecasts from BOI are applied to money not invested in the TFBP to calculate future STIP earnings.

The 1.27% coal severance tax distribution to the parks trust is considered new deposits. New deposits are transferred to the trust on a quarterly basis. When the BOI receives the coal tax transfer, the funds are immediately invested in STIP. These new trust deposits are based on estimates of coal severance tax collections.

## Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	STIP Interest \$ Millions	Invested Balance \$ Millions	TFBP Long Term Rate
A 2014	\$0.906	-	\$0.905	\$0.001	\$22.159	4.1%
A 2015	0.919	-	0.919	0.001	23.676	4.0%
A 2016	0.900	-	0.897	0.003	23.676	3.8%
A 2017	0.885	-	0.872	0.003	23.986	3.7%
A 2018	0.853	-	0.840	0.012	24.986	3.4%
A 2019	0.910	-	0.885	0.025	25.212	3.5%
A 2020	0.888	-	0.862	0.263	25.502	3.4%
A 2021	0.863	-	0.859	0.004	25.502	3.4%
A 2022	0.898	-	0.891	0.007	26.502	3.4%
A 2023	1.092	-	1.021	0.071	28.002	3.7%
A 2024	1.206	-	1.104	0.102	28.352	3.9%
F 2025	1.203	-	1.093	0.110	28.689	3.8%
F 2026	1.248	-	1.163	0.085	29.007	4.0%
F 2027	1.304	-	1.237	0.068	29.303	4.2%
F 2028	1.373	-	1.310	0.063	29.580	4.4%
F 2029	1.318	-	1.259	0.059	29.840	4.2%

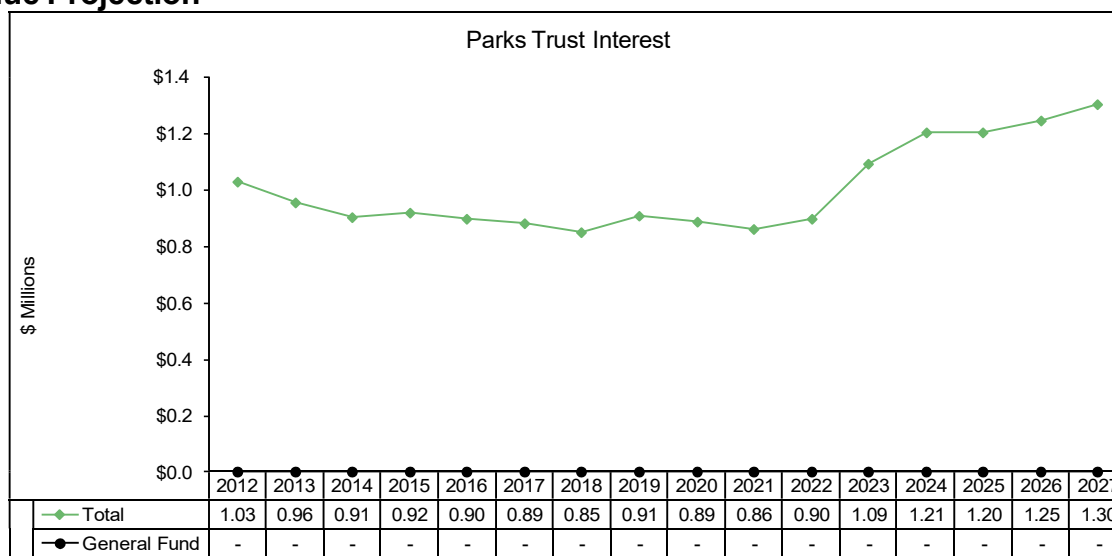


## Interest Earnings

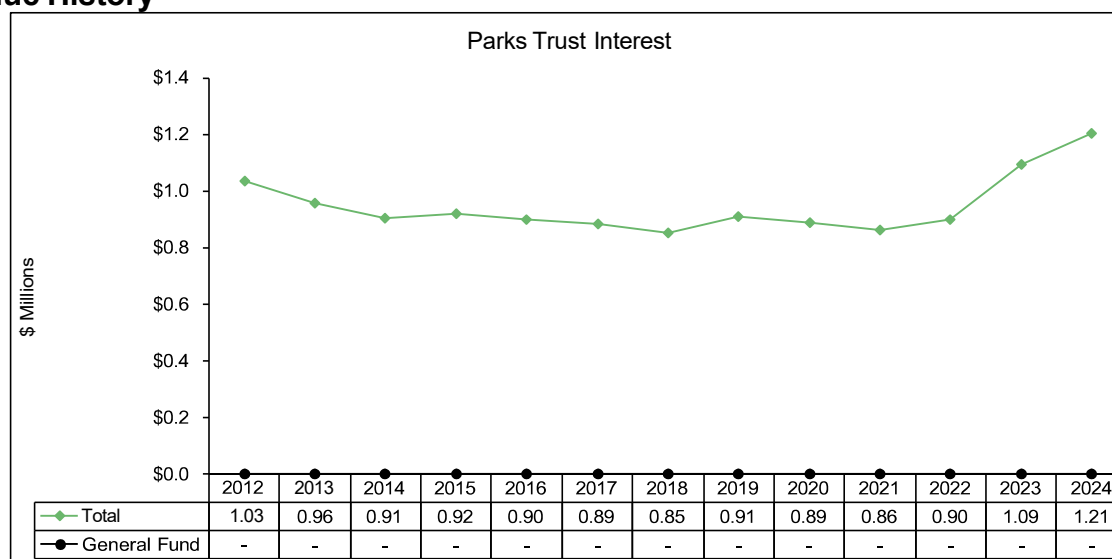
## Parks Trust Interest

FY	Net Coal Tax New Deposit \$ Millions	STIP Balance \$ Millions	Non Pool STIP Rate
A 2014	\$0.732	\$0.994	0.2%
A 2015	0.773	0.499	0.1%
A 2016	0.767	0.937	0.4%
A 2017	0.747	1.265	0.3%
A 2018	0.763	1.822	0.8%
A 2019	0.762	1.530	1.5%
A 2020	0.594	1.887	15.4%
A 2021	0.549	2.431	0.2%
A 2022	0.830	2.188	0.3%
A 2023	1.123	1.791	3.6%
A 2024	0.980	2.434	4.8%
F 2025	0.673	2.146	5.0%
F 2026	0.635	2.198	3.8%
F 2027	0.593	2.152	3.1%
F 2028	0.554	2.144	2.9%
F 2029	0.521	2.215	2.6%

## Revenue Projection



## Revenue History



**Pine Hills Interest and Income****Revenue Description**

The Pine Hills trust is a fund set up for the support of the Pine Hills youth correctional facility using income generated from state land and the subsequent interest on the account. Lands granted by the federal government to the state for the benefit of public schools and various state institutions generate income through rents or crop shares for agricultural purposes, royalties from the sale of mineral rights, and sales of timber. Up to 25% of distributable revenue may be diverted to the trust land administration account to fund the Department of Natural Resources & Conservation (DNRC) administrative costs.

**Statutory Reference**

Distribution – [17-3-1003, MCA](#)

[Enabling Act](#), Sections 11 & 17

Other – DNRC trust land administration diversion ([77-1-108, MCA](#) & [77-1-109, MCA](#))

DNRC land bank administration diversion ([77-2-362, MCA](#))

**Applicable Tax Rates:** N/A

**Collection Frequency:** Monthly

**Distribution**

Interest and income from the trust, net of amounts to fund DNRC administration, is allocated to the Department of Corrections for support of the Pine Hills youth correctional facility.

**Forecast Risks**

- Short- and long-term interest rates
- Bond rates

**Revenue Estimate Methodology**Data

SABHRS data provide a history of each individual interest and income revenue component; DNRC annual reports and other data provide additional information such as mineral production and timber estimates; and DNRC estimates for operating costs are used for the forecast diversion amounts.

Analysis

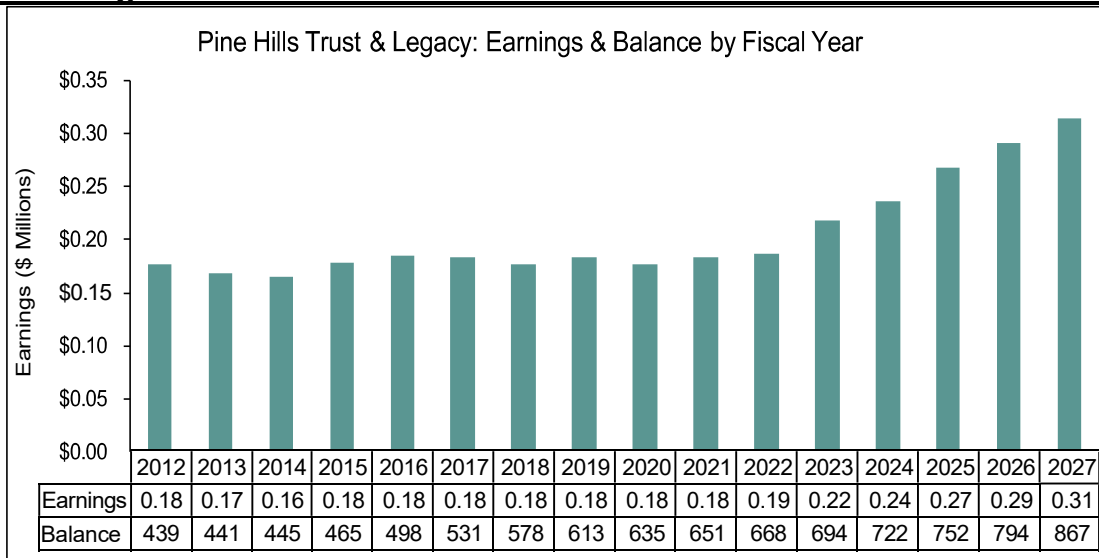
Trust and Legacy Earnings: The monetary assets of the trust are pooled with monetary assets of other land trusts in the T & L and invested by the Board of Investments in the trust funds bond pool. Based on the number of share each trust owns, a share of the earnings is deposited in each trust. The Pine Hills trust share is 0.8%. The total pool earnings are a sum of the following:

- Earnings from new deposits – New deposits in the pool initially earn interest at the short-term rate before it is invested in a longer-term investment. BOI forecasts for short-term interest rates are used to project these interest earnings.
- Earnings from existing balance – Most of these funds have been invested in bonds purchased over the past several years. Estimated return rates from the BOI are applied to the current and forecast trust balance to calculate the estimate.
- Non-portfolio earnings – Money not invested in the trust funds bond pool earns interest at the short-term rate.

Once the total amount of the pool earnings has been estimated by summing the above three items, it is multiplied by the Pine Hills trust share of 0.8%.

## Interest Earnings

## Pine Hills Interest and Income



Remaining revenue sources such as grazing and agricultural fees, as well as mineral royalties and oil and gas leases are typically estimated using a time series or assuming no growth from the previous fiscal year.

Future diversion amounts are based on estimates from the DNRC, and are assumed to be funded with distributable revenue.

### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	STIP Interest \$ Millions	Pine Hills Share T&L	Pine Hills T&L Interest \$ Millions
A 2014	\$0.345	-	\$23.042	\$0.007	0.7%	\$0.164
A 2015	0.357	-	24.044	0.003	0.7%	0.18
A 2016	0.392	-	23.894	0.004	0.8%	0.18
A 2017	0.387	-	23.612	0.013	0.8%	0.18
A 2018	0.339	-	22.923	0.033	0.8%	0.18
A 2019	0.386	-	24.257	0.062	0.8%	0.18
A 2020	0.361	-	23.984	0.091	0.7%	0.18
A 2021	0.370	-	24.603	0.008	0.7%	0.18
A 2022	0.317	-	26.149	0.019	0.7%	0.19
A 2023	0.398	-	30.381	0.399	0.7%	0.22
A 2024	0.455	-	34.403	0.469	0.7%	0.24
F 2025	0.442	-	35.670	0.752	0.7%	0.27
F 2026	0.464	-	38.801	0.642	0.7%	0.29
F 2027	0.475	-	42.173	0.535	0.7%	0.31
F 2028	0.508	-	45.706	0.474	0.7%	0.34
F 2029	0.504	-	44.944	0.443	0.7%	0.33

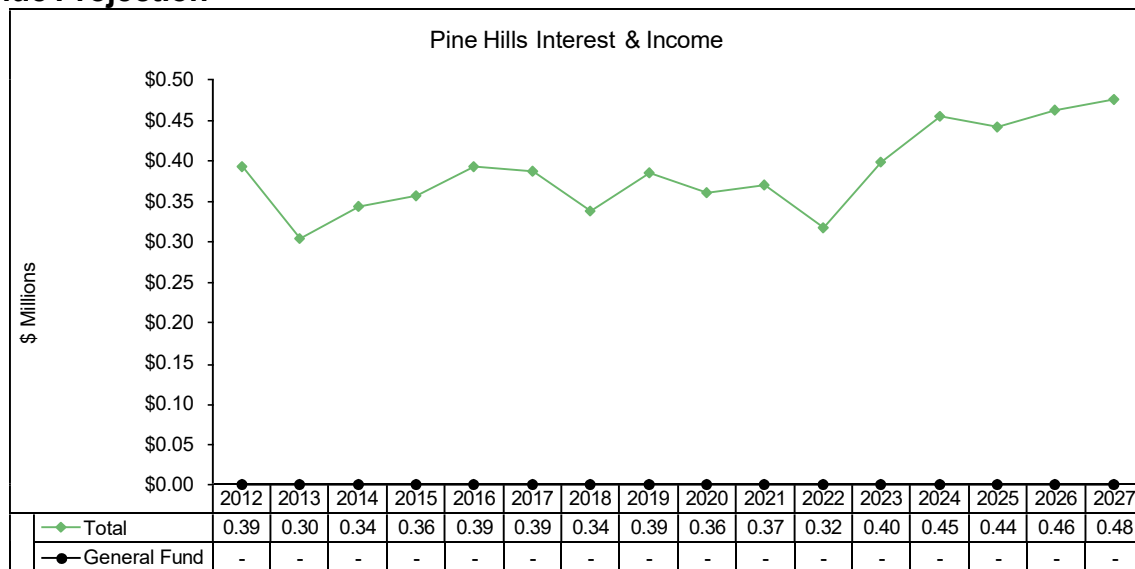
## Interest Earnings

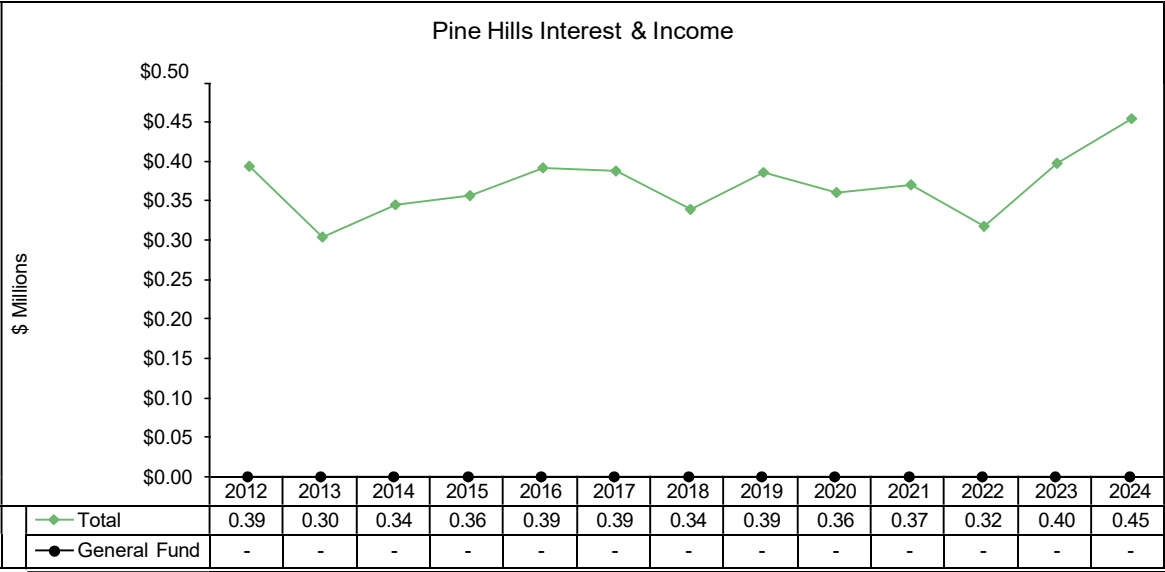
## Pine Hills Interest and Income

FY	Trust Income New Deposit \$ Millions	TFBP Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal \$ Millions	T&L Balance \$ Millions
A 2014	\$35.440	4.2%	0.1%	\$2.546	\$578.053
A 2015	26.197	4.0%	0.1%	2.927	612.524
A 2016	20.343	3.8%	0.3%	2.585	634.528
A 2017	16.456	3.7%	0.7%	5.141	650.603
A 2018	17.678	3.5%	1.5%	7.514	667.803
A 2019	24.635	3.6%	2.1%	8.903	693.503
A 2020	23.109	3.4%	1.3%	5.898	721.603
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A 2023	74.877	3.7%	3.6%	15.593	867.028
A 2024	40.160	3.9%	5.1%	20.155	907.228
F 2025	34.477	3.8%	5.0%	15.064	936.212
F 2026	37.895	4.0%	3.8%	16.937	967.604
F 2027	36.911	4.2%	3.1%	17.386	999.351
F 2028	38.173	4.4%	2.9%	16.462	1,031.741
F 2029	39.123	4.2%	2.6%	16.928	1,065.023

FY	Grazing \$ Millions	Agriculture \$ Millions	Misc. Fees \$ Millions	Oil & Gas Lease \$ Millions	Oil & Gas Bonus \$ Millions	Oil & Gas Penalty \$ Millions	TLMD Adm. \$ Millions
A 2014	\$0.142	\$0.025	\$0.149	\$0.029	-	\$0.016	(0.178)
A 2015	0.178	0.018	0.157	0.015	0.002	0.013	(0.188)
A 2016	0.238	0.027	0.158	0.001	0.002	0.002	(0.191)
A 2017	0.174	0.018	0.169	-	-	-	(0.143)
A 2018	0.138	0.037	0.196	-	-	-	(0.158)
A 2019	0.161	0.028	0.217	-	-	-	(0.204)
A 2020	0.160	0.024	0.204	-	-	-	(0.208)
A 2021	0.164	0.029	0.195	-	-	-	(0.202)
A 2022	0.157	0.032	0.088	-	-	-	(0.151)
A 2023	0.162	0.056	0.186	-	-	-	(0.244)
A 2024	0.199	0.034	0.185	-	-	-	(0.252)
F 2025	0.171	0.030	0.185	-	-	-	(0.212)
F 2026	0.172	0.030	0.185	-	-	-	(0.215)
F 2027	0.176	0.030	0.185	-	-	-	(0.231)
F 2028	0.180	0.031	0.185	-	-	-	(0.227)
F 2029	0.175	0.031	0.185	-	-	-	(0.221)

## Revenue Projection





**Regional Water Trust Interest****Revenue Description**

The Montana Coal Endowment Regional Water trust is one of several trusts set up with money from the coal severance tax. Interest earned on the fund is used to provide matching funds to plan and construct regional drinking water systems in Montana and fund state and local entity administrative expenses. Except for administrative expenses, state funds must be matched equally by local funds. The funds in the account are further restricted to finance regional drinking water systems from the waters of the Tiber reservoir and the Missouri River within specific geographic areas.

The fund previously received 25% of the coal severance tax distribution to the coal trust fund. The deposit of coal severance tax revenue to this fund terminated at the end of FY 2016. For more information on the coal permanent trust earnings and distributions, see the chart in the Coal Severance Tax section.

**Statutory Reference**

Distribution – [Montana Constitution, Article IX, Section 5; 17-5-703 \(4b\), MCA; 90-6-715, MCA](#)

Date Due – Monthly ([17-5-703\(4d\), MCA](#))

**Applicable Tax Rates:** N/A

**Collection Frequency:** Monthly

**Distribution**

Interest earnings are deposited to a state special revenue fund and appropriated to the Department of Natural Resources and Conservation to fund eligible projects and pay administrative expenses.

**Forecast Risks**

- Short and long-term interest rates
- Bond rates
- Coal price and production

**Revenue Estimate Methodology**Data

The Board of Investments (BOI) provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by the BOI and historic interest collections are obtained from SABHRS.

Analysis

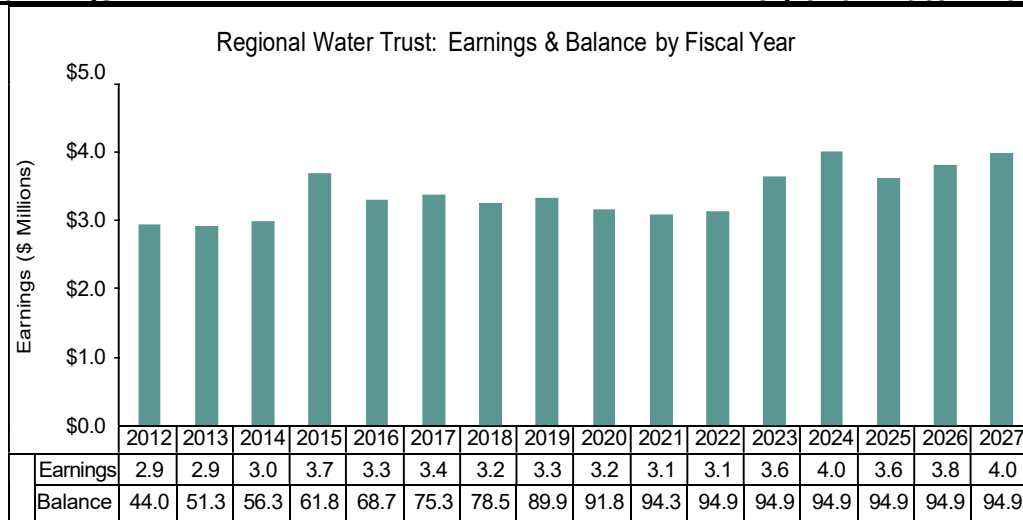
Each of the following interest or income components are estimated independently and combined:

- Trust fund bond pool (TFBP)
- Short-term investment pool (STIP)
- New trust deposits

The TFBP was formed in 1995 to manage the fixed investments held in the state's major trust funds. Each trust owns "shares" of the pool and interest earnings are paid to each trust on a per-share basis. TFBP earnings are the largest source of earnings for the trust, as shown in the figure below. TFBP earnings are forecast by applying estimated return rates, provided by the BOI, to the current and forecast trust balance.

## Interest Earnings

## Regional Water Trust Interest



The regional water trust was projected to sunset at the end of FY 2016. However, [HB 180 \(2015 Session\)](#) extended the sunset of the trust until the end of FY 2031.

STIP interest is earned on the temporary investment of trust funds. Funds are acquired from activities such as new deposits and investment sales. Funds are held in STIP until the BOI determines that conditions are favorable for deposit in the TFBP. Short-term interest forecasts from BOI are applied to money not invested in the TFBP to calculate future STIP earnings.

## Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

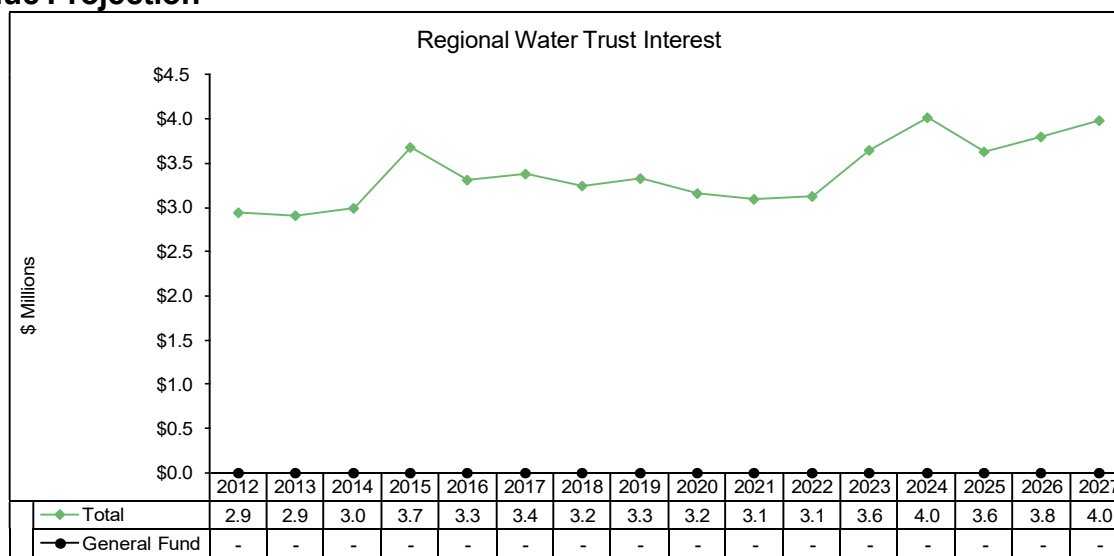
FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	STIP Interest \$ Millions	Invested Balance \$ Millions	TFBP Long Term Rate
A 2014	\$2.993	-	\$2.988	\$0.006	\$76.542	4.1%
A 2015	3.680	-	3.176	0.003	84.792	3.9%
A 2016	3.307	-	3.285	0.022	91.792	3.7%
A 2017	3.379	-	3.341	0.038	94.292	3.6%
A 2018	3.246	-	3.173	0.044	93.670	3.4%
A 2019	3.332	-	3.240	0.091	93.670	3.5%
A 2020	3.153	-	3.111	0.042	93.670	3.3%
A 2021	3.088	-	3.077	0.011	93.670	3.3%
A 2022	3.134	-	3.117	0.018	93.670	3.3%
A 2023	3.650	-	3.473	0.213	93.670	3.7%
A 2024	4.018	-	3.580	0.438	93.670	3.8%
F 2025	3.628	-	3.569	0.059	93.670	3.8%
F 2026	3.801	-	3.756	0.045	93.670	4.0%
F 2027	3.990	-	3.953	0.037	93.670	4.2%
F 2028	4.184	-	4.150	0.034	93.670	4.4%
F 2029	3.984	-	3.953	0.031	93.670	4.2%

## Interest Earnings

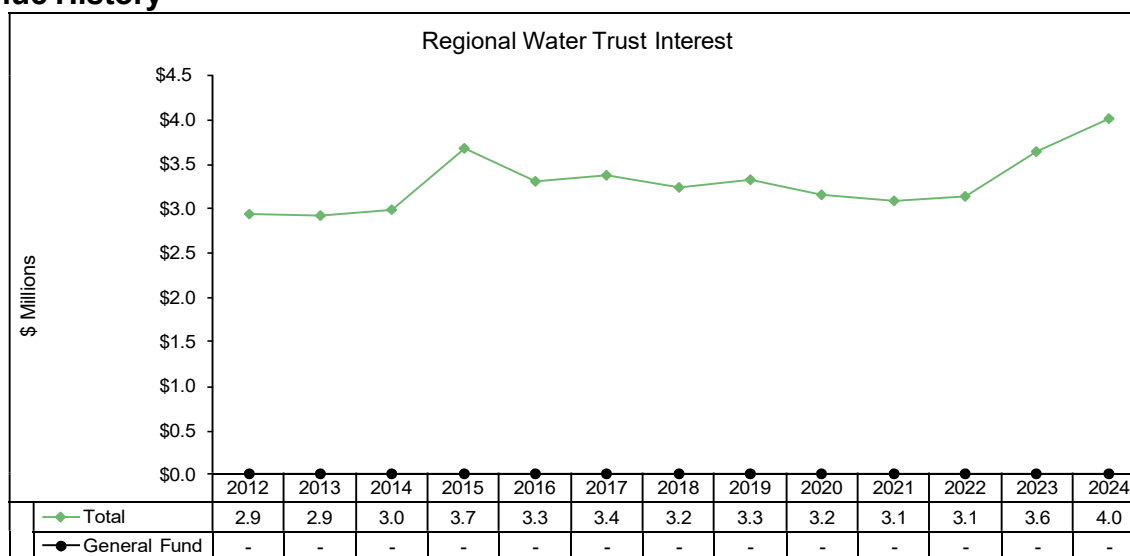
## Regional Water Trust Interest

FY	Net Coal Tax New Deposit \$ Millions	STIP Balance \$ Millions	Non Pool STIP Rate
A 2014	\$7.210	\$1.958	0.2%
A 2015	7.611	3.094	0.1%
A 2016	7.545	6.143	0.5%
A 2017	-	0.709	0.7%
A 2018	-	4.550	1.5%
A 2019	-	1.192	2.1%
A 2020	-	1.192	1.3%
A 2021	-	1.192	0.2%
A 2022	-	1.192	1.1%
A 2023	-	1.192	3.6%
A 2024	-	1.192	5.1%
F 2025	-	1.192	5.0%
F 2026	-	1.192	3.8%
F 2027	-	1.192	3.1%
F 2028	-	1.192	2.9%
F 2029	-	1.192	2.6%

## Revenue Projection



## Revenue History





## Resource Indemnity Trust Interest

### Revenue Description

The Resource Indemnity Trust was set up from resource extraction taxes. The interest money from this fund is used for a variety of purposes focusing on natural resource and environmental projects. For more information, see the [LFD brochure](#).

[Article IX, Section 2](#) of the Montana Constitution and [Title 15, Chapter 38, MCA](#), requires that certain resource extraction taxes, as determined by the legislature, be placed in a trust. The principal of the Resource Indemnity Trust (RIT), up to \$100 million, cannot be appropriated and is guaranteed by the state against loss or diversion. The principal of the trust reached \$100 million in FY 2003, and subsequently no longer receives additional tax deposits. Interest earnings on the RIT are spent to improve the total environment and rectify damage to the environment. It was also the legislature's intent that the use of interest earnings for operations of state government be minimized.

### Statutory Reference

Distribution – [Montana Constitution, Article IX, Section 2](#); [15-38-202\(2\), MCA](#); [15-38-203, MCA](#)

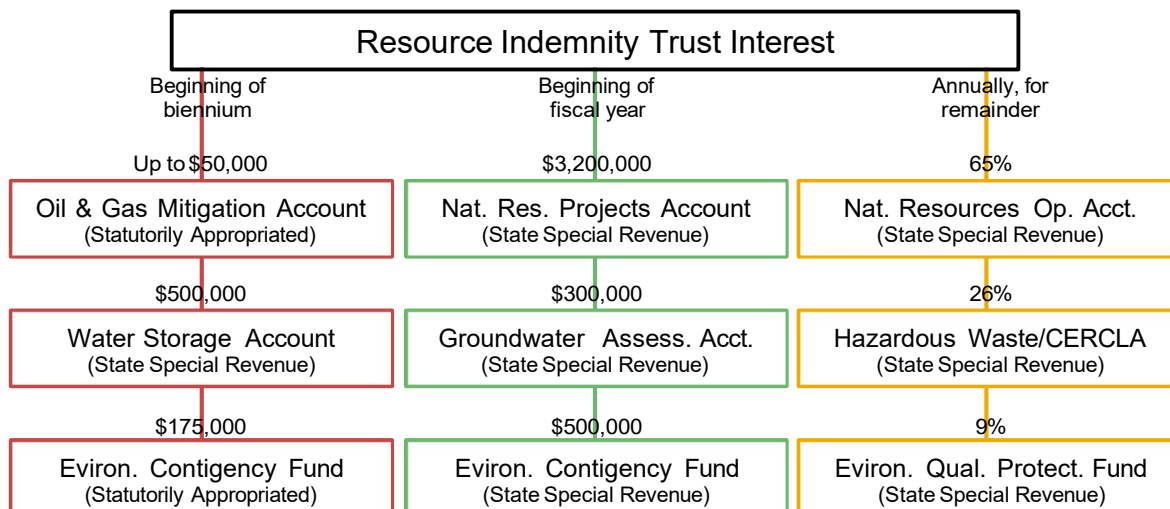
**Applicable Tax Rates:** N/A

**Collection Frequency:** Monthly

### Distribution

Statute allocates RIT interest earnings in the following manner:

- 1) At the beginning of the biennium, an amount not to exceed \$50,000 to the oil and gas mitigation account to bring the balance up to \$200,000
- 2) At the beginning of the biennium, \$500,000 to the water storage state special revenue account
- 3) At the beginning of the biennium, \$175,000 to the environmental contingency fund
- 4) \$3.2 million annually to the natural resources projects state special revenue account
- 5) \$300,000 annually to the ground water assessment account
- 6) \$500,000 annually to the future fisheries program for bull trout and cutthroat trout recovery
- 7) Of the remaining RIT interest earnings:
  - a) 65% to the natural resources operations state special revenue account
  - b) 26% to the hazardous waste/CERCLA state special revenue account
  - c) 9% to the environmental quality protection state special revenue fund



Forecast Risks

- Short and long-term interest rates

Revenue Estimate Methodology

Data

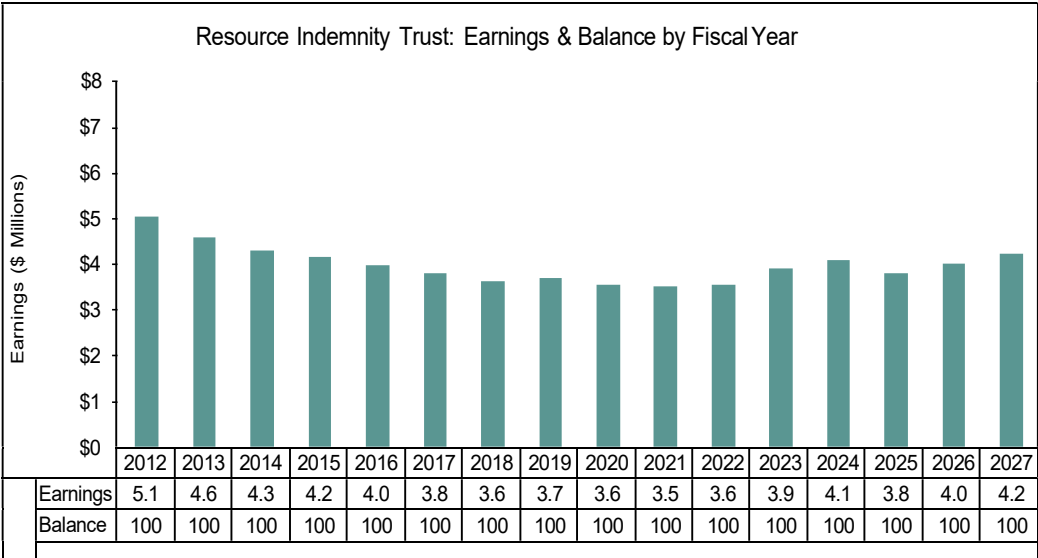
The Board of Investments (BOI) provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by the BOI, and historic interest collections are obtained from SABHRS.

Analysis

Each of the following interest or income components are estimated independently and combined:

- Trust funds bond pool (TFBP)
- Short-term investment pool (STIP)

The TFBP was formed in 1995 to manage the fixed investments held in the state’s major trust funds. Each trust owns “shares” of the pool and interest earnings are paid to each trust on a per-share basis. TFBP earnings are the largest source of earnings for the trust, as shown in the figure below. TFBP earnings are forecast by applying estimated return rates, provided by the BOI, to the current and forecast trust balance.



STIP interest (including other interest) is earned on cash, prior to investment in long-term investments. Funds are acquired from new deposits and/or maturing securities in the forecast period. Funds are held in STIP until the BOI determines that conditions are favorable for investment in the TFBP. Short-term interest forecasts from BOI are applied to money not invested in the TFBP to calculate future STIP earnings.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

## Interest Earnings

## Resource Indemnity Trust Interest

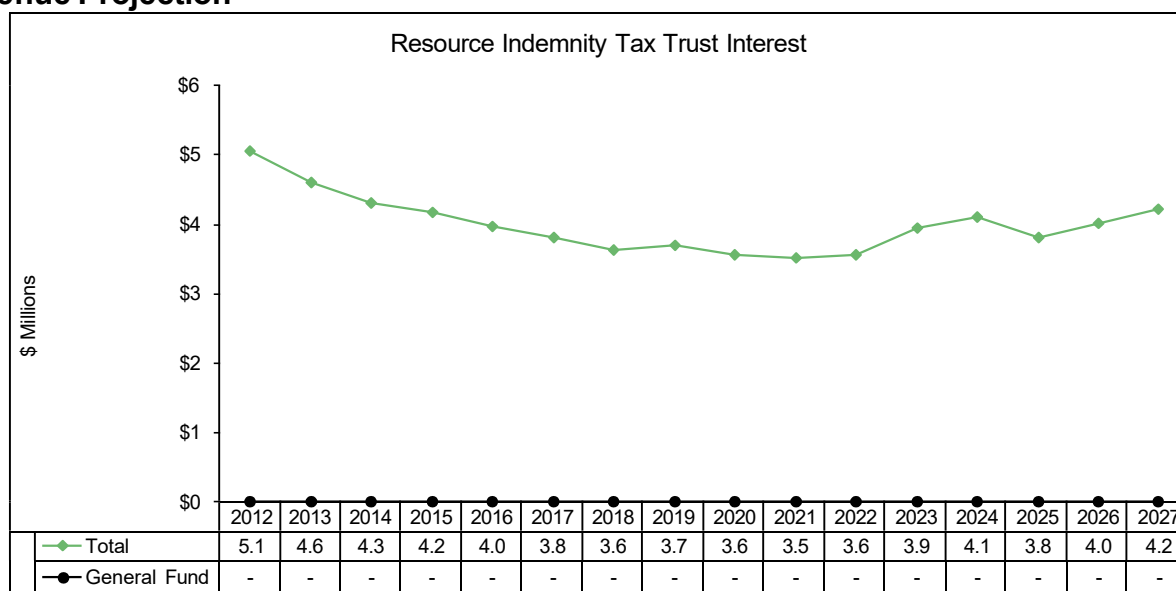
FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	STIP Interest \$ Millions	Invested Balance \$ Millions	TFBP Long Term Rate	Net Tax New Deposit \$ Millions
A 2014	\$4.296	-	\$4.296	\$0.000	\$100.000	4.3%	-
A 2015	4.175	-	4.176	0.000	100.00	4.2%	-
A 2016	3.973	-	3.972	0.001	100.00	4.0%	-
A 2017	3.818	-	3.817	0.000	100.00	3.8%	-
A 2018	3.618	-	3.617	0.001	100.00	3.6%	-
A 2019	3.703	-	3.702	0.001	100.00	3.7%	-
A 2020	3.557	-	3.555	0.003	100.00	3.6%	-
A 2021	3.516	-	3.515	0.000	100.00	3.5%	-
A 2022	3.563	-	3.565	0.000	100.00	3.6%	-
A 2023	3.933	-	4.011	0.005	100.00	4.0%	-
A 2024	4.096	-	4.091	0.059	100.00	4.1%	-
F 2025	3.811	-	3.810	0.001	100.00	3.8%	-
F 2026	4.011	-	4.010	0.001	100.00	4.0%	-
F 2027	4.221	-	4.220	0.001	100.00	4.2%	-
F 2028	4.431	-	4.430	0.001	100.00	4.4%	-
F 2029	4.221	-	4.220	0.001	100.00	4.2%	-

FY	STIP Balance \$ Millions	Non Pool STIP Rate	Hazardous Waste \$ Millions	Environmental Quality \$ Millions	Renewable Resource \$ Millions	Reclamation Development \$ Millions
A 2014	\$0.023	0.2%	\$0.000	\$0.000	\$0.000	\$0.000
A 2015	0.023	0.017	-	-	-	-
A 2016	0.023	0.050	-	-	-	-
A 2017	0.023	0.008	-	-	-	-
A 2018	0.023	0.015	-	-	-	-
A 2019	0.023	0.021	-	-	-	-
A 2020	0.023	0.013	-	-	-	-
A 2021	0.023	0.002	-	-	-	-
A 2022	0.023	0.011	-	-	-	-
A 2023	0.023	0.036	-	-	-	-
A 2024	0.023	0.051	-	-	-	-
F 2025	0.023	0.050	-	-	-	-
F 2026	0.023	0.038	-	-	-	-
F 2027	0.023	0.031	0.057	0.020	-	-
F 2028	0.023	0.029	-	-	-	-
F 2029	0.023	0.026	0.057	0.020	-	-

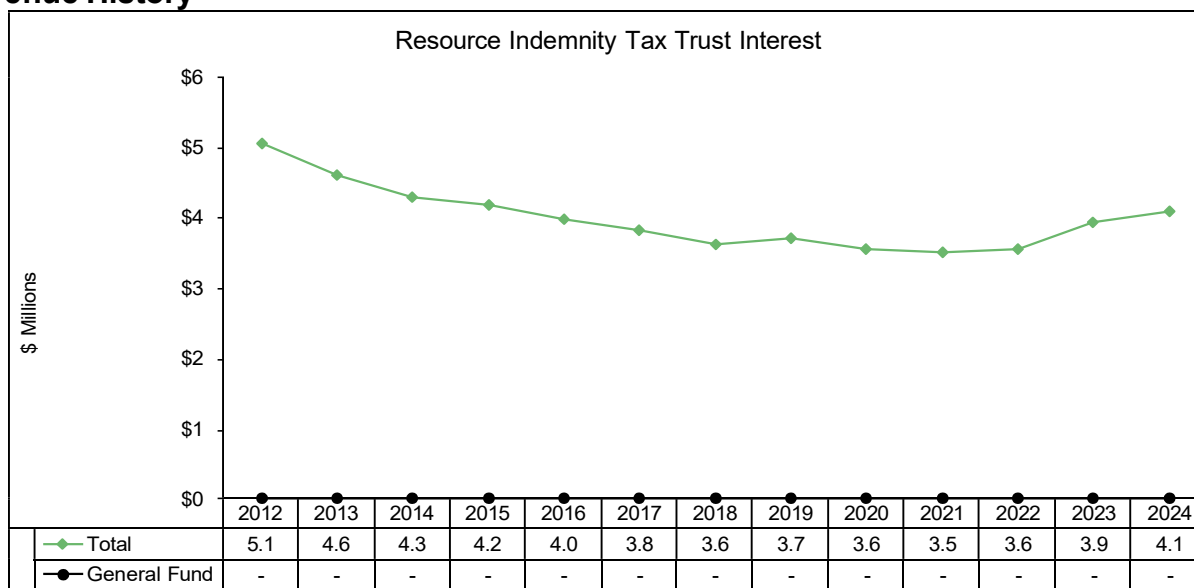
FY	Environmental Contingency \$ Millions	Water Storage \$ Millions	Oil & Gas Receipts \$ Millions	FWP Receipts \$ Millions	Groundwater Receipts \$ Millions	NR Operation Receipts \$ Millions	NR Projects Receipts \$ Millions
A 2014	\$0.151	\$0.432	\$0.000	\$0.432	\$0.259	\$0.000	\$3.022
A 2015	-	-	-	0.486	0.291	-	3.399
A 2016	0.085	0.377	0.491	0.377	0.226	-	2.416
A 2017	-	-	-	0.477	0.286	-	3.054
A 2018	0.131	0.373	0.131	0.373	0.224	-	2.387
A 2019	-	-	-	0.463	0.278	-	2.963
A 2020	0.119	0.340	0.378	0.340	0.204	-	2.176
A 2021	-	-	-	0.439	0.264	-	2.812
A 2022	0.121	0.347	0.318	0.347	0.208	-	2.221
A 2023	-	-	-	0.492	0.295	-	3.146
A 2024	0.138	0.395	0.401	0.395	0.237	-	2.530
F 2025	-	-	-	0.476	0.286	-	3.049
F 2026	0.132	0.377	0.434	0.377	0.226	-	2.410
F 2027	-	-	-	0.500	0.300	0.143	3.200
F 2028	0.146	0.416	0.434	0.416	0.250	-	2.663
F 2029	-	-	-	0.500	0.300	0.143	3.200

## Interest Earnings Revenue Projection

## Resource Indemnity Trust Interest



## Revenue History



**School Facilities Trust Interest****Revenue Description**

The School Facilities trust is one of several trusts set up with money from the coal severance tax. The interest money from this fund is used for school facility projects authorized by the legislature. The deposits of coal severance tax revenue to this fund terminate when the size of the balance of the fund reaches \$300 million, at which point the distribution reverts to the permanent fund. For more information on the coal permanent trust earnings and distributions, see the chart in the [Coal Severance Tax](#) section.

[Article IX, Section 5](#) of the Montana Constitution requires that 50% of all coal severance tax revenue be deposited in a permanent coal trust fund in which appropriation of the principal requires a three-fourths vote of each house of the legislature. Coal severance tax funds flowing into the trust fund are first used to secure and subsidize state bonds issued to finance water resource and renewable resource development projects and activities. The remaining funds are then split 25% (12.5% of total revenue) to the Big Sky Economic Development trust fund, 65% (32.5% of total revenue) to the Conservation District fund created by [HB 321](#) (2023 session), and the remaining 10% (5% of total revenue) to the School Facilities Fund.

**Statutory Reference**

Distribution – [Montana Constitution, Article IX, Section 5](#); [17-5-703 \(5b\), MCA](#); [20-9-380, MCA](#)

Date Due – Monthly ([17-5-703\(5b\), MCA](#))

**Applicable Tax Rates:** N/A

**Collection Frequency:** Monthly

**Distribution**

Interest earnings are deposited in the school major maintenance aid account. The purpose of the account is to provide funding for basic school facility projects.

**Forecast Risks**

- Short and long-term interest rates
- Bond rates
- Coal price and production

**Revenue Estimate Methodology**Data

The Board of Investments (BOI) provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by the BOI and historic interest collections are obtained from SABHRS.

Analysis

Each of the following interest or income components are estimated independently and combined to produce the overall estimate:

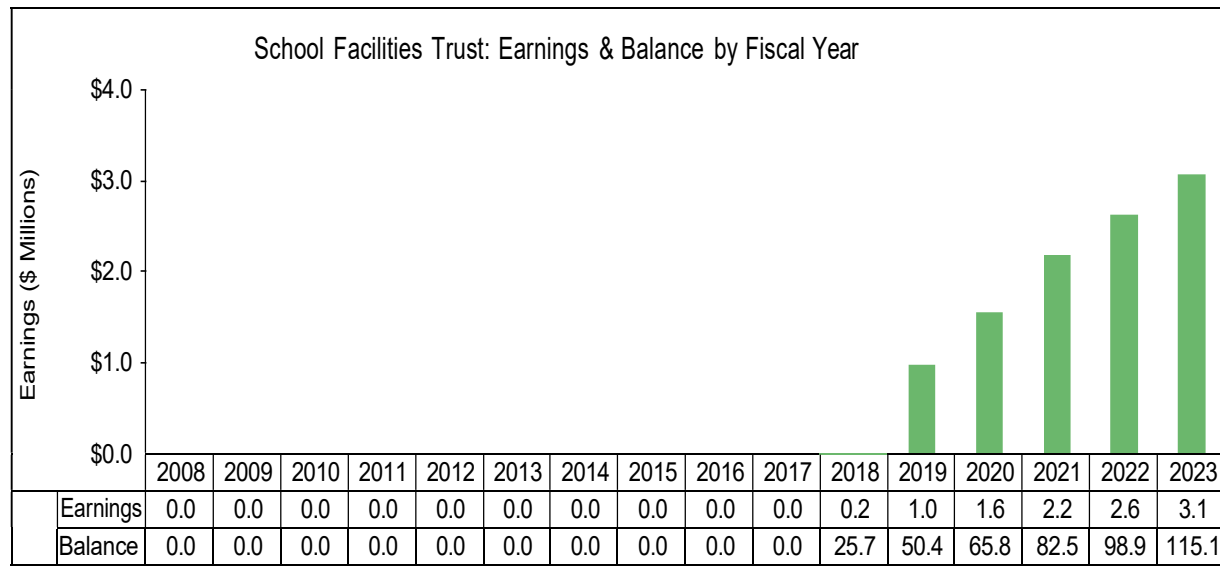
- Trust funds bond pool (TFBP)
- Short-term investment pool (STIP)
- New trust deposits

The TFBP was formed in 1995 to manage the fixed investments held in the state's major trust funds. Each trust owns "shares" of the pool and interest earnings are paid to each trust on a per-share basis. TFBP earnings are the largest source of earnings for the trust. TFBP earnings are forecast by applying

## Interest Earnings

## Economic Development Trust Interest

estimated return rates, provided by the BOI, to the current and forecast trust balance. Forecasted amounts are shown in the chart below.



STIP interest is earned on the temporary investment of trust funds. Funds are acquired from activities such as new deposits and investment sales. Funds are held in STIP until the BOI determines that conditions are favorable for deposit in the TFBP. Short-term interest forecasts from BOI are applied to money not invested in the TFBP to calculate future STIP earnings.

Coal severance tax distributions to the trust are considered new deposits. New deposits are transferred to the trust on a quarterly basis. When the BOI receives the coal tax transfer, the funds are immediately invested in STIP. Funds are expected to remain in STIP for one month before being invested in the TFBP. These new trust deposits are forecast using estimates of coal severance tax collections.

## Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

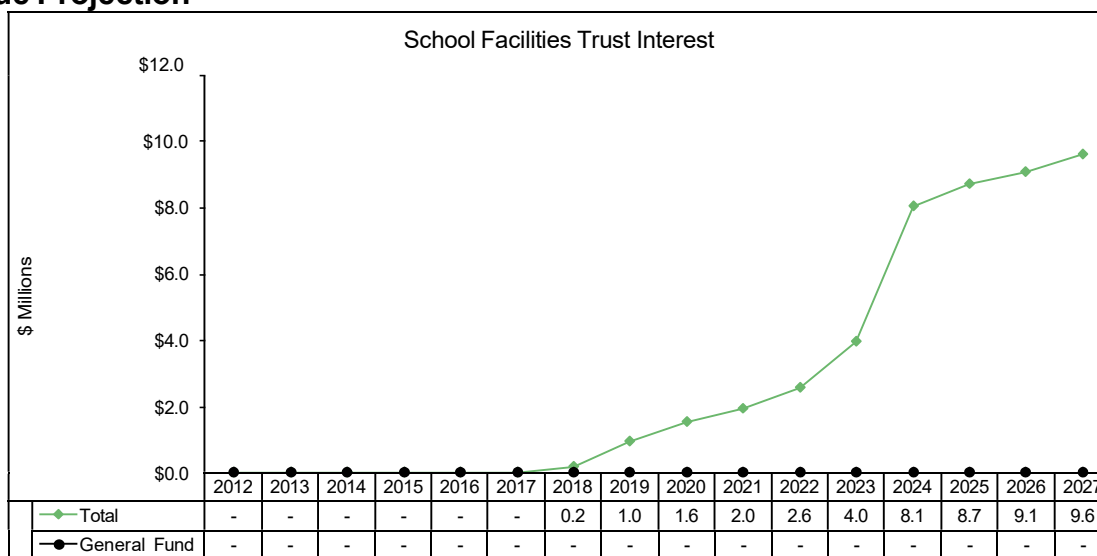
FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	STIP Interest \$ Millions	Loan Interest \$ Millions	Invested Balance \$ Millions	TFBP Long Term Rate
A 2014							
A 2015							
A 2016							
A 2017							
A 2018	\$0.193	-	\$0.173	\$0.020	-	\$22.537	0.8%
A 2019	0.971	-	0.794	0.121	-	45.047	2.3%
A 2020	1.550	-	1.471	0.079	-	62.580	2.7%
A 2021	1.956	-	1.948	0.007	-	77.774	2.8%
A 2022	2.579	-	2.566	0.015	-	92.600	3.0%
A 2023	3.980	-	3.782	0.288	-	122.100	3.5%
A 2024	8.066	-	7.262	0.804	-	212.600	4.3%
F 2025	8.733	-	8.161	0.572	-	215.799	3.8%
F 2026	9.076	-	8.713	0.363	-	218.750	4.0%
F 2027	9.598	-	9.289	0.309	-	221.496	4.2%
F 2028	10.164	-	9.869	0.295	-	224.058	4.4%
F 2029	9.771	-	9.506	0.265	-	226.464	4.2%

## Interest Earnings

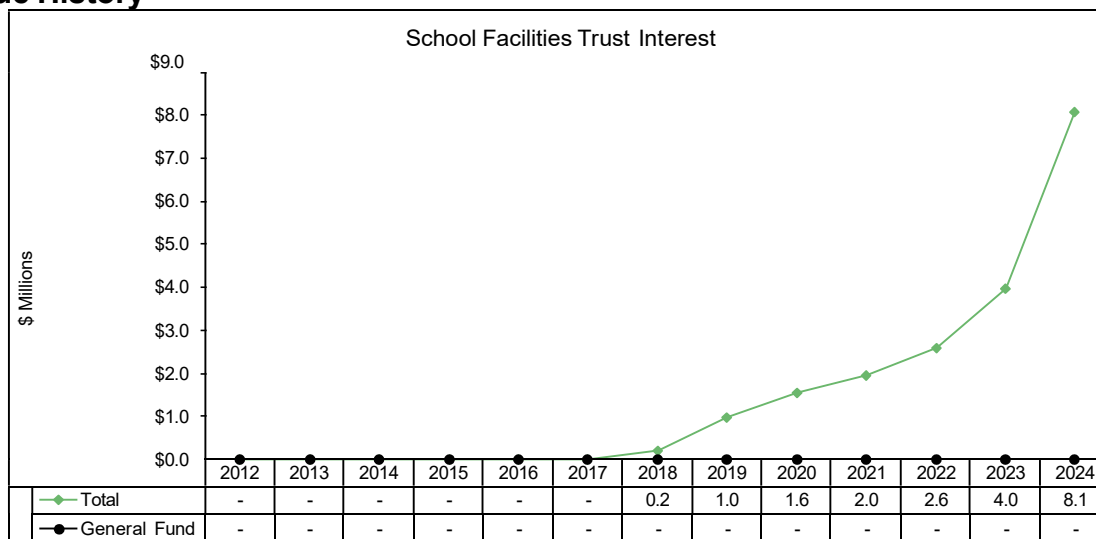
## Economic Development Trust Interest

FY	Net Coal Tax New Deposit \$ Millions	Non Pool STIP Bal \$ Millions	Non Pool STIP Rate
A 2014			
A 2015			
A 2016			
A 2017			
A 2018	\$22.537	\$3.196	1.5%
A 2019	22.511	5.380	2.1%
A 2020	17.533	3.201	1.3%
A 2021	15.194	3.789	0.2%
A 2022	24.502	4.200	1.1%
A 2023	31.327	7.482	3.6%
A 2024	10.487	11.193	5.1%
F 2025	3.199	9.338	5.0%
F 2026	2.951	10.265	3.8%
F 2027	2.746	9.802	3.1%
F 2028	2.563	10.033	2.9%
F 2029	2.405	9.918	2.6%

## Revenue Projection



## Revenue History



## Tobacco Trust Interest

### Revenue Description

The tobacco trust fund is set up with money from the tobacco settlement which included 46 states and various United States territories. In 2000, as required by constitutional amendment, the state began depositing 40% of the tobacco settlement funds into a trust. As required in statute, 10% of the trust earnings must be deposited in the trust.

This revenue source is only the interest resulting from that account (highlighted in the distribution chart); revenue from continued payments from the tobacco settlement is explained in the Tobacco Settlement section under the Other General Funds section.

### Statutory Reference

Distribution – [Montana Constitution Article XII, Section 4](#); [17-6-601, MCA](#); [17-6-603, MCA](#)

Date Due – Interest deposits are mostly made monthly, but none in July and two in June

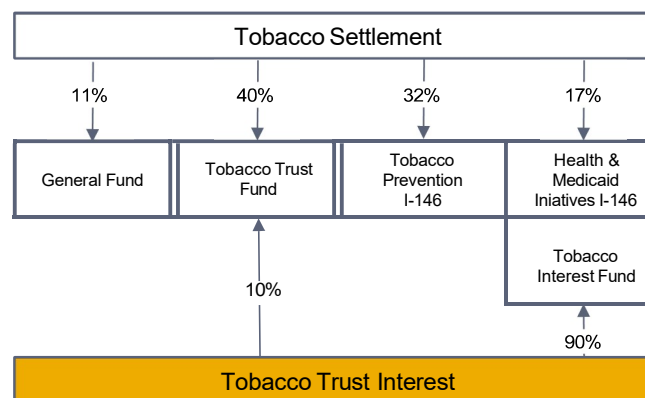
**Applicable Tax Rates:** N/A

**Collection Frequency:** Monthly

### Distribution

Interest earnings from the trust fund are distributed as follows

1. 90% to a state special revenue account for appropriation by the legislature for disease prevention programs (includes chronic disease programs) and state programs providing benefits, services, or coverage that are related to the health care needs of the people of Montana; and
2. 10% to the tobacco settlement trust fund



### Forecast Risks

- Short and long-term interest rates

### Revenue Estimate Methodology

#### Data

The Board of Investments (BOI) provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by the BOI and historic interest collections are obtained from SABHRS.

#### Analysis

Each of the following interest or income components are estimated independently and combined:

- Trust funds bond pool (TFBP)

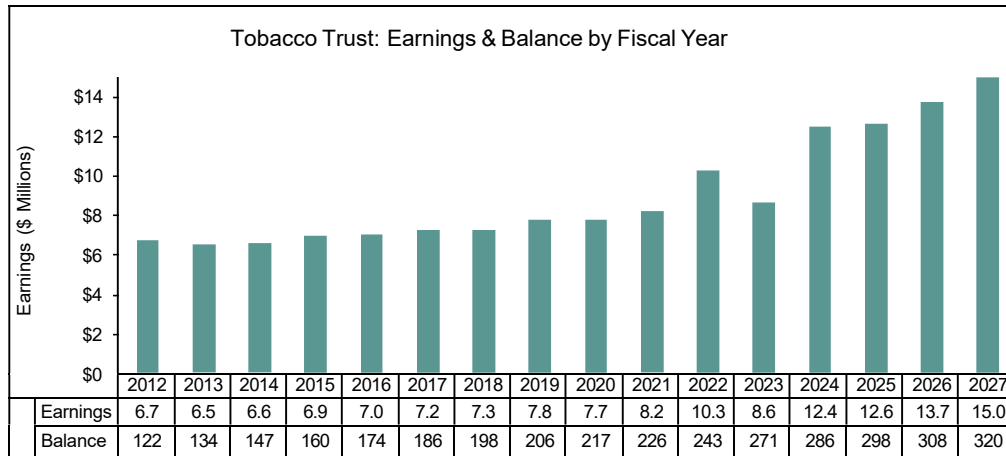


## Interest Earnings

## Tobacco Trust Interest

- Short-term investment pool (STIP)
- New trust deposits

The TFBP was formed in 1995 to manage the fixed investments held in the state's major trust funds. Each trust owns "shares" of the pool and interest earnings are paid to each trust on a per-share basis. TFBP earnings are the largest source of earnings for the trust, as shown in the figure below. TFBP earnings are forecast by applying estimated return rates, provided by the BOI, to the current and forecast trust balance.



STIP interest (including other interest) is earned on cash, prior to investment in long-term investments. Funds are acquired from new deposits and/or maturing securities in the forecast period. Funds are held in STIP until the BOI determines that conditions are favorable for investment in the TFBP. Short-term interest forecasts from BOI are applied to money not invested in the TFBP to calculate future STIP earnings.

The 40% distribution of tobacco settlement funds and 10% of retained interest earnings are considered new deposits in the tobacco settlement trust. New deposits are transferred to the trust on a quarterly basis. When the BOI receives the tobacco settlement funds, they are immediately invested in STIP. Funds are expected to remain in STIP for one month before being invested in the TFBP. The interest earned on new deposits is estimated by summing STIP earnings for one month with TFBP earnings for the remainder of the year.

## Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

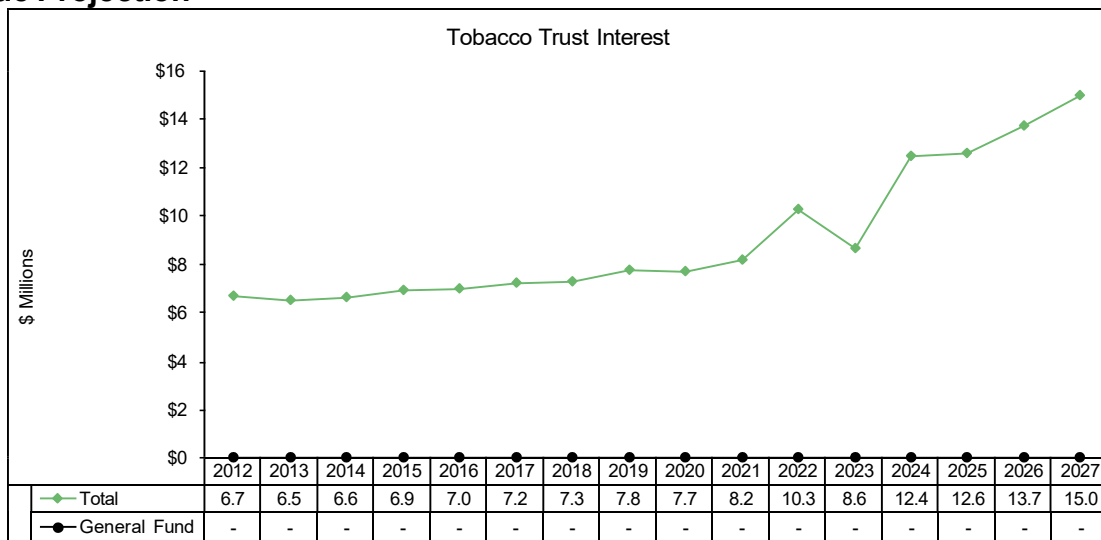
## Interest Earnings

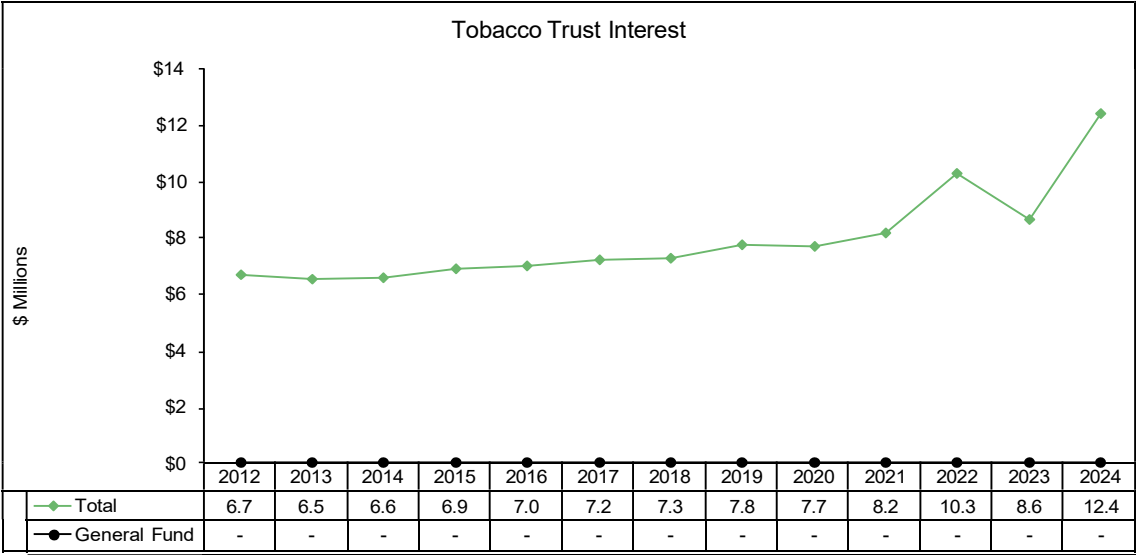
## Tobacco Trust Interest

FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	STIP Interest \$ Millions	90 Percent Interest \$ Millions	10 Percent Interest \$ Millions
A 2014	\$6.592	-	\$6.591	\$0.001	\$5.933	\$0.659
A 2015	6.916	-	6.916	0.001	6.224	0.692
A 2016	7.009	-	7.003	0.006	6.308	0.701
A 2017	7.217	-	7.199	0.018	6.495	0.722
A 2018	7.259	-	7.100	0.064	6.533	0.726
A 2019	7.757	-	7.618	0.139	6.981	0.776
A 2020	7.725	-	7.594	0.131	6.952	0.772
A 2021	8.169	-	8.154	0.015	7.352	0.817
A 2022	10.284	-	9.098	0.014	9.256	1.028
A 2023	8.638	-	10.430	0.180	7.774	0.860
A 2024	12.445	-	11.377	0.232	11.201	1.245
F 2025	12.585	-	12.218	0.368	11.327	1.259
F 2026	13.721	-	13.424	0.296	12.349	1.372
F 2027	14.970	-	14.722	0.247	13.473	1.497
F 2028	16.301	-	16.079	0.222	14.671	1.630
F 2029	17.170	-	16.968	0.202	15.453	1.717

FY	Tobacco New Deposit \$ Millions	TFBP Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal \$ Millions	Invested Balance \$ Millions
A 2014	\$13.257	4.0%	0.2%	\$0.609	\$173.209
A 2015	11.727	3.9%	0.2%	0.277	185.959
A 2016	12.260	3.6%	1.1%	0.823	198.409
A 2017	12.157	3.6%	0.5%	6.507	205.604
A 2018	10.101	3.2%	1.0%	5.825	217.104
A 2019	11.032	3.4%	1.9%	9.118	225.604
A 2020	9.652	3.2%	2.2%	2.561	242.604
A 2021	31.820	3.2%	0.3%	6.673	271.104
A 2022	12.458	3.3%	0.2%	5.009	286.104
A 2023	12.097	3.6%	3.2%	6.200	298.144
A 2024	10.906	3.8%	3.2%	8.244	308.104
F 2025	10.582	3.8%	5.0%	6.484	320.680
F 2026	10.095	4.0%	3.8%	6.976	334.775
F 2027	9.535	4.2%	3.1%	7.235	348.870
F 2028	9.753	4.4%	2.9%	6.898	362.966
F 2029	8.195	4.5%	2.6%	7.036	377.061

## Revenue Projection





**Montana Coal Endowment Trust Interest****Revenue Description**

The Montana Coal Endowment Trust is one of several trusts set up with money from the coal severance tax. Interest earned on the fund is used to finance local infrastructure projects, as prioritized by the Departments of Commerce and Natural Resources and Conservation (DNRC) and authorized by the legislature via the Treasure State Endowment Program (TSEP).

This fund previously received 50% of the coal severance tax distribution to the coal trust fund. The deposit of coal severance tax revenue to this fund terminated at the end of FY 2016. For more information on the coal permanent trust earnings and distributions, see the chart in the Coal Severance Tax section.

**Statutory Reference**

Distribution – [17-5-703 \(4c\), MCA](#); [90-6-701\(2\), MCA](#)

Date Due – Monthly ([17-5-703 \(4c\), MCA](#))

**Applicable Tax Rates:** N/A

**Collection Frequency:** Monthly

**Distribution:** Interest earnings are allocated to the Department of Commerce to fund TSEP.

**Forecast Risks**

- Short and long-term interest rates
- Bond rates
- Coal price and production

**Revenue Estimate Methodology**Data

The Board of Investments (BOI) provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by the BOI and historic interest collections are obtained from SABHRS.

Analysis

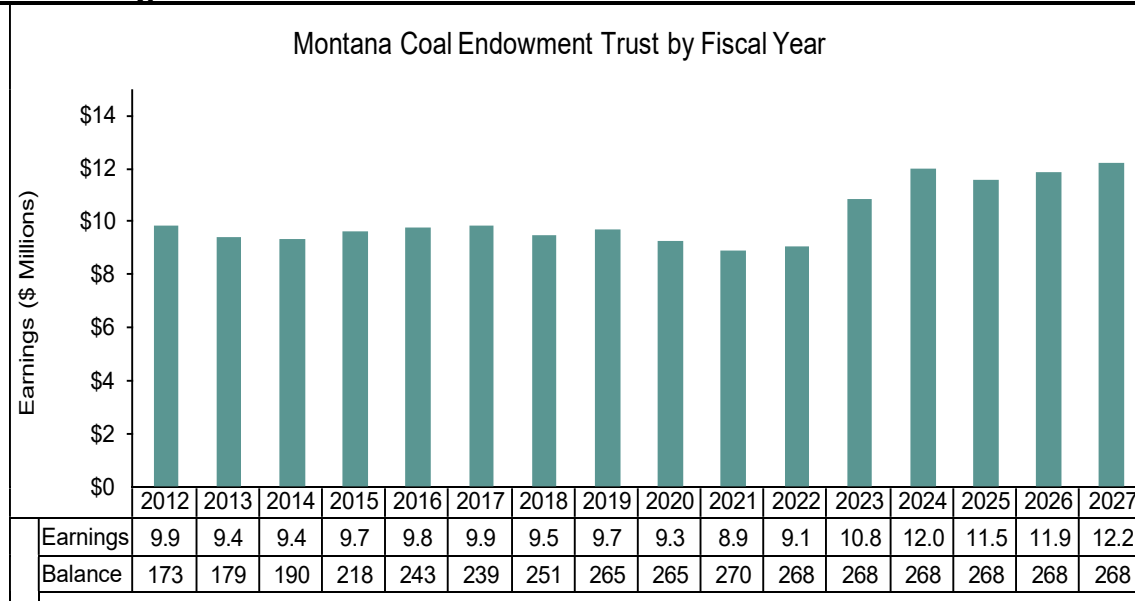
Each of the following interest or income components are estimated independently and combined:

- Trust funds bond pool (TFBP)
- In-state investments
- Short-term investment pool (STIP)
- New trust deposits

The TFBP was formed in 1995 to manage the fixed investments held in the state's major trust funds. Each trust owns "shares" of the pool and interest earnings are paid to each trust on a per-share basis. TFBP earnings are the largest source of earnings for the trust, as shown in the figure below. TFBP earnings are forecast by applying estimated return rates, provided by the BOI, to the current and forecast trust balance.

## Interest Earnings

## Montana Coal Endowment Trust Interest



Earnings from in-state investments have historically been the second largest source of income to the TSE trust. The BOI is required by statute to invest 25% of coal tax trust in the Montana economy. In-state investments primarily consist of loans to Montana business entities and earnings are equal to the interest charged on the loans.

STIP interest (including other interest) is earned on cash, prior to investment in long-term investments. Funds are acquired from new deposits and/or maturing securities in the forecast period. Funds are held in STIP until the BOI determines that conditions are favorable for investment in the TFBP. Short-term interest forecasts from BOI are applied to money not invested in the TFBP to calculate future STIP earnings.

### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

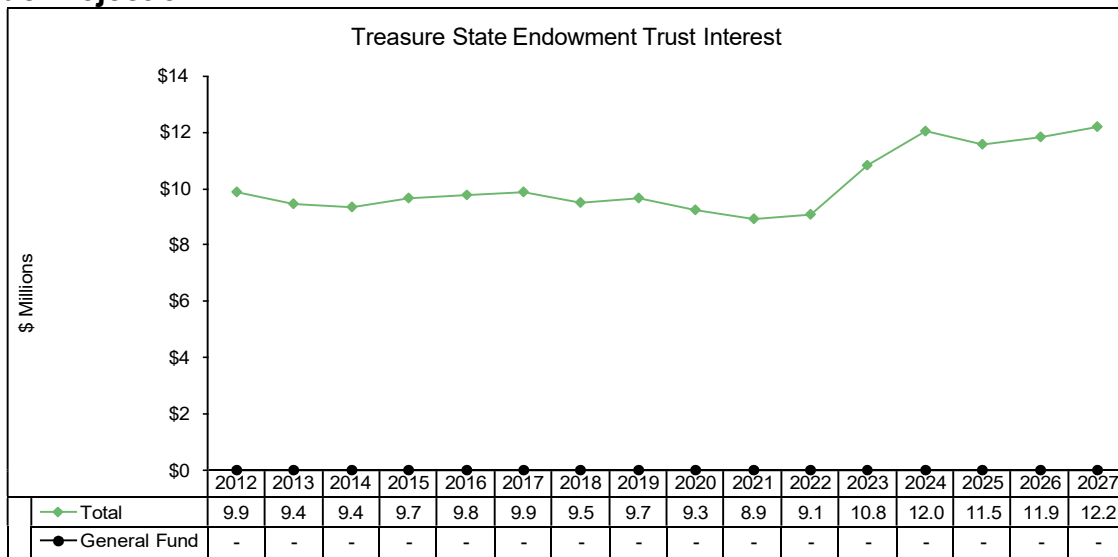
	Total Rev.	GF Rev.	TFBP	STIP	Loan	Invested	TFBP
FY	\$ Millions	\$ Millions	Interest \$ Millions	Interest \$ Millions	Interest \$ Millions	Balance \$ Millions	Long Term Rate
A 2014	\$9.356	-	\$9.297	\$0.029	\$0.003	\$233.933	4.1%
A 2015	9.654	-	9.616	0.018	0.023	251.183	4.0%
A 2016	9.766	-	9.668	0.078	0.021	266.273	3.7%
A 2017	9.853	-	9.660	0.180	0.013	269.683	3.6%
A 2018	9.483	-	9.158	0.227	0.009	268.044	3.4%
A 2019	9.673	-	9.354	0.312	0.008	268.044	3.5%
A 2020	9.253	-	8.981	0.266	0.006	268.044	3.4%
A 2021	8.922	-	8.882	0.039	0.004	268.044	3.3%
A 2022	9.086	-	9.007	0.059	0.000	268.319	3.4%
A 2023	10.850	-	9.933	0.925	-	268.319	3.7%
A 2024	12.036	-	10.344	1.690	-	268.319	3.9%
F 2025	11.550	-	10.223	1.327	-	268.319	3.8%
F 2026	11.854	-	10.760	1.094	-	268.319	4.0%
F 2027	12.223	-	11.323	0.900	-	268.319	4.2%
F 2028	12.700	-	11.887	0.813	-	268.319	4.4%
F 2029	13.233	-	12.481	0.752	-	268.319	4.7%

## Interest Earnings

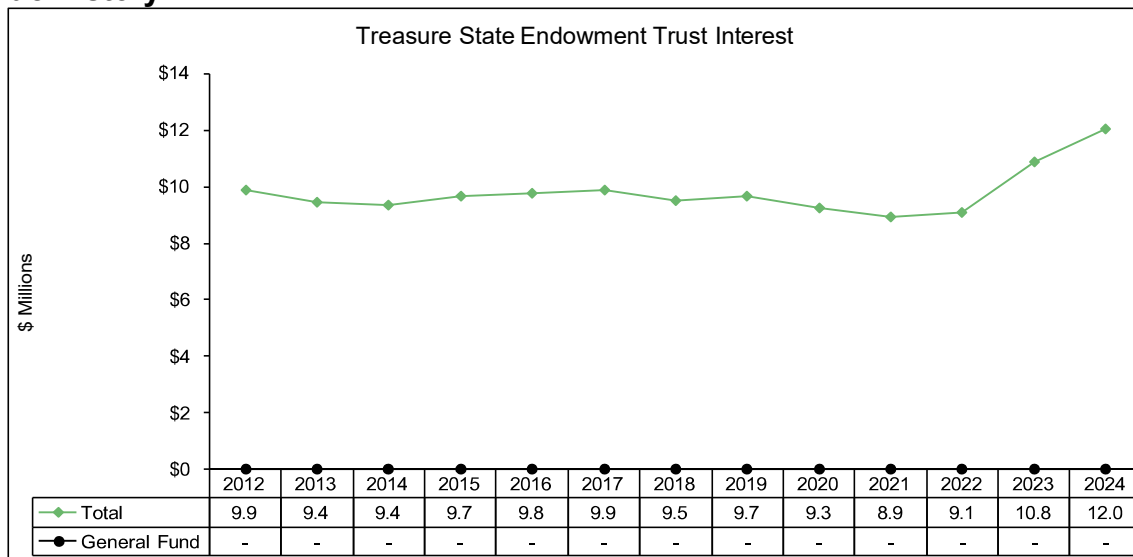
## Montana Coal Endowment Trust Interest

FY	Net Coal Tax New Deposit \$ Millions	Non Pool STIP Bal \$ Millions	Non Pool STIP Rate	Non Pool Loan Rate	Non Pool Loan Bal \$ Millions
A 2014	\$14.419	\$19.250	0.1%	0.5%	\$0.461
A 2015	15.223	12.369	0.1%	5.2%	0.405
A 2016	15.090	22.190	0.5%	5.5%	0.345
A 2017	-	20.253	0.8%	4.7%	0.211
A 2018	-	13.344	1.4%	4.6%	0.177
A 2019	-	14.908	2.2%	4.4%	0.141
A 2020	-	16.966	1.7%	4.3%	0.109
A 2021	-	17.604	0.2%	4.2%	0.008
A 2022	-	19.732	0.3%	4.0%	-
A 2023	-	27.809	3.9%	3.9%	-
A 2024	-	32.228	5.6%	3.8%	-
F 2025	-	26.590	5.0%	3.7%	-
F 2026	-	28.876	3.8%	3.6%	-
F 2027	-	29.231	3.1%	3.5%	-
F 2028	-	28.232	2.9%	3.4%	-
F 2029	-	28.780	2.6%	3.3%	-

## Revenue Projection



## Revenue History



### Treasury Cash Account Interest

#### Revenue Description

Interest is generated by excess treasury cash being invested in short and medium-term investments. The Board of Investments (BOI) is responsible for investing all state funds. [Title 17, Chapter 6, MCA](#), provides guidelines under which the funds must be invested. Unless specifically stated by statute, all interest earned on these investments is deposited in the general fund.

#### Statutory Reference

Distribution – [17-6-202\(2\), MCA](#)

Date Due – Interest deposits are mostly made monthly, with two in June and none in July

**Applicable Tax Rates:** N/A

**Collection Frequency:** Ongoing

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

#### Forecast Risks

- Short-term interest rates
- Average daily balance

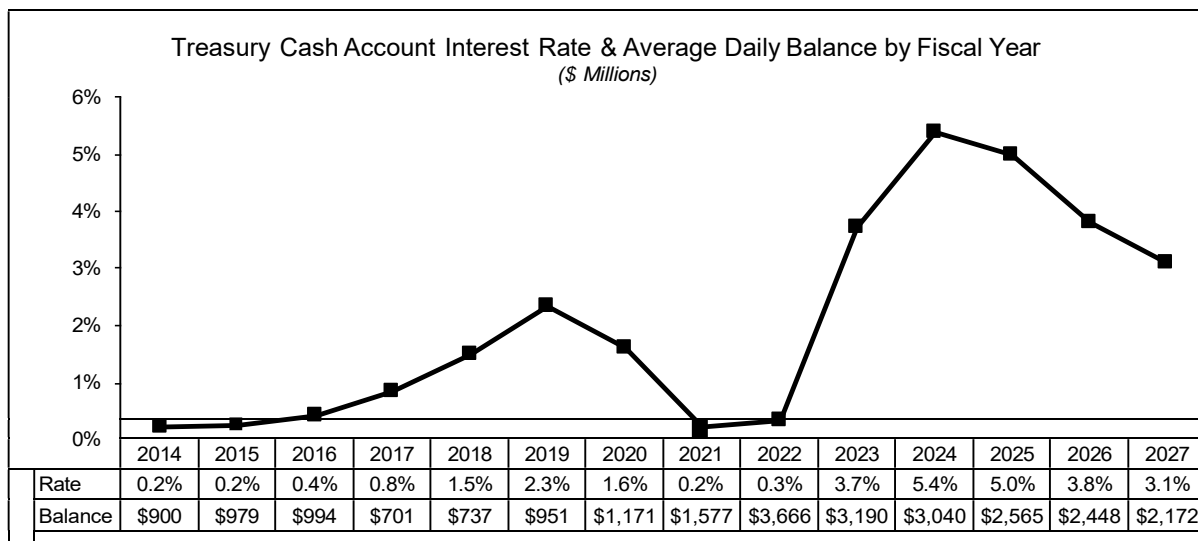
#### Revenue Estimate Methodology

##### Data

The BOI provides monthly reports on the treasury cash account balance. Projections of future interest rates are provided by BOI and historic interest collections are obtained from SABHRS.

##### Analysis

The average balance of the TCA is modeled off the forecast general fund ending fund balance. When cash flow is insufficient, tax revenue anticipation notes (TRANS) are issued to meet short-term cash flow needs. The term of the loan and amount borrowed are used to determine the amount to be added to the average balance calculations. ***Revenue from this source could be significantly impacted this biennium if legislative decisions materially impact the general fund ending fund balance.***

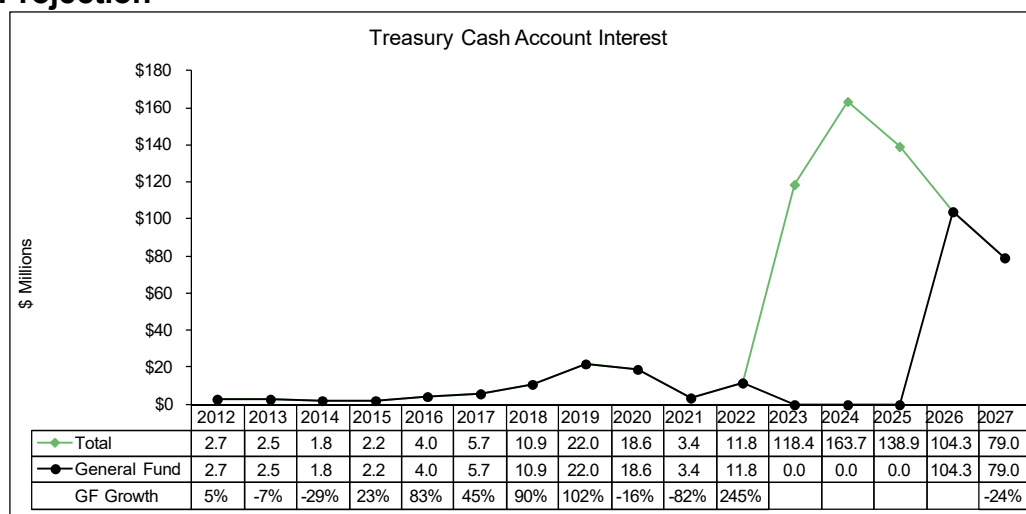


## Revenue Estimate Assumptions

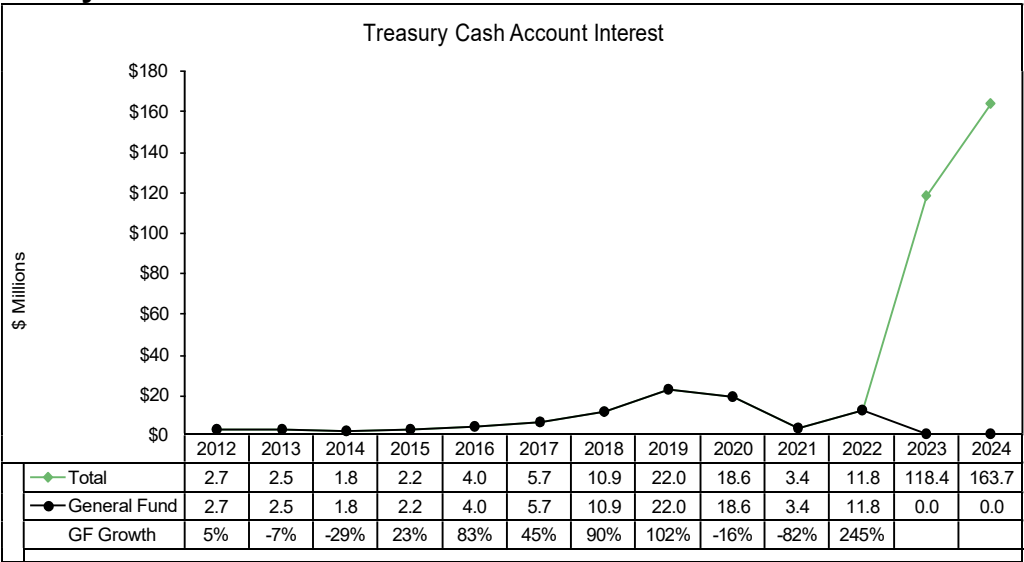
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

FY	Total Rev. \$ Millions	GF Rev. \$ Millions	Avg. Bal. Millions	Short-Term Interest Rate
A 2014	\$1.756	\$1.756	900.464	0.2%
A 2015	2.164	2.164	978.597	0.2%
A 2016	3.961	3.961	993.642	0.4%
A 2017	5.734	5.734	701.472	0.8%
A 2018	10.888	10.888	737.369	1.5%
A 2019	22.036	22.036	951.284	2.3%
A 2020	18.597	18.597	1,171.033	1.6%
A 2021	3.410	3.410	1,577.456	0.2%
A 2022	11.776	11.776	3,665.516	0.3%
A 2023	118.389	-	3,189.550	3.7%
A 2024	163.726	-	3,040.061	5.4%
F 2025	138.908	-	2,564.600	5.0%
F 2026	104.283	104.283	2,447.874	3.8%
F 2027	79.005	79.005	2,171.874	3.1%
F 2028	75.264	75.264	2,171.874	2.9%
F 2029	56.776	56.776	2,171.874	2.6%

## Revenue Projection



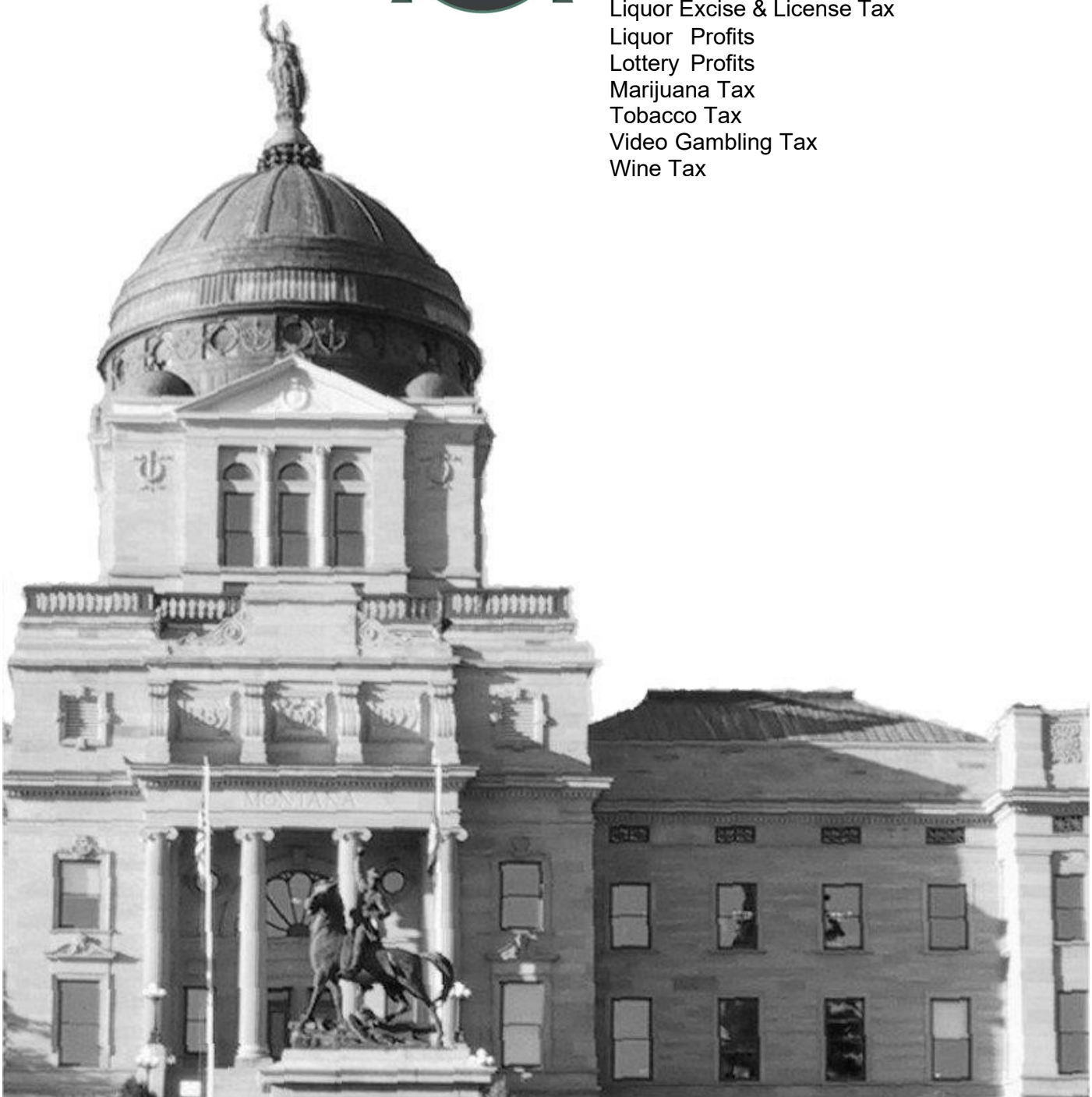




# CONSUMPTION TAXES



Beer Tax  
Cigarette Tax  
Marijuana Tax  
Diesel Tax  
Gasoline Tax  
GVW & Other Fees  
Liquor Excise & License Tax  
Liquor Profits  
Lottery Profits  
Marijuana Tax  
Tobacco Tax  
Video Gambling Tax  
Wine Tax



## Beer Tax

### Revenue Description

A tax is levied on each barrel (31 gallons) of beer produced in or imported into Montana according to the number of barrels produced annually by a given brewer.

### Statutory Reference

Tax Rate – [16-1-406, MCA](#)

Distribution – [16-1-406, MCA](#)

Date Due – end of the month and collected in the next month ([16-1-406\(2\), MCA](#))

### Applicable Tax Rates

The per-barrel tax varies according to number of barrels produced:

- Up to 5,000 barrels – \$1.30
- 5,001 to 10,000 barrels – \$2.30
- Over 10,000 barrels – \$4.30

**Collection Frequency:** Monthly

### Distribution

Beer tax revenue is distributed between the general fund, the Department of Public Health and Human Services (DPHHS) state special revenue alcohol account, and four tribal governments according to intergovernmental agreements between DOR and the tribes. Beer tax dollars are distributed to Blackfeet, Fort Belknap, Fort Peck, and Flathead according to the following formula: (per capita beer consumption) x (tribal membership) x (Montana tax rate). The following chart shows the FY 2024 distribution of beer tax revenue.

### Forecasting Risks

- Change in Montana population
- Change in Montana personal consumption patterns
- Change in effective tax rate

### Revenue Estimate Methodology

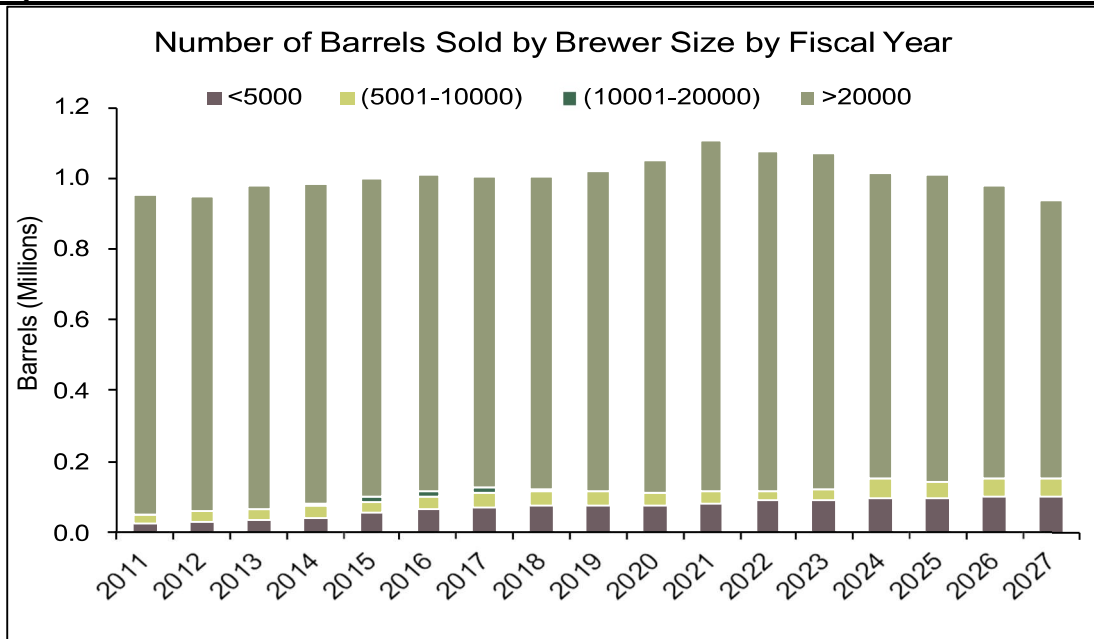
#### Data

The beer tax estimate is based on data obtained from DOR, SABHRS, and S&P Global. Details on tax collections by rate and tribal distributions are provided by DOR; fiscal year tax collections are from SABHRS; forecasts for independent economic variables are produced by S&P Global.

#### Analysis

Per capita consumption—the number of proxy barrels divided by Montana population age 21 and older—is modeled on the Montana personal consumption series from S&P Global. Future barrels are estimated by multiplying the forecast per capita consumption by forecast population. Total tax collections are calculated by multiplying the number of barrels sold in each year by the effective tax rate in that year.

The effective tax rate is on a consistent downward trend; as the number of small brewers increases, there are more barrels being sold in the lower tax brackets. In the chart below, the number of barrels sold in each bracket is stacked to illustrate the changing composition of the beer market. The beer tax estimate assumes that the decrease in the effective rate continues through the biennium.



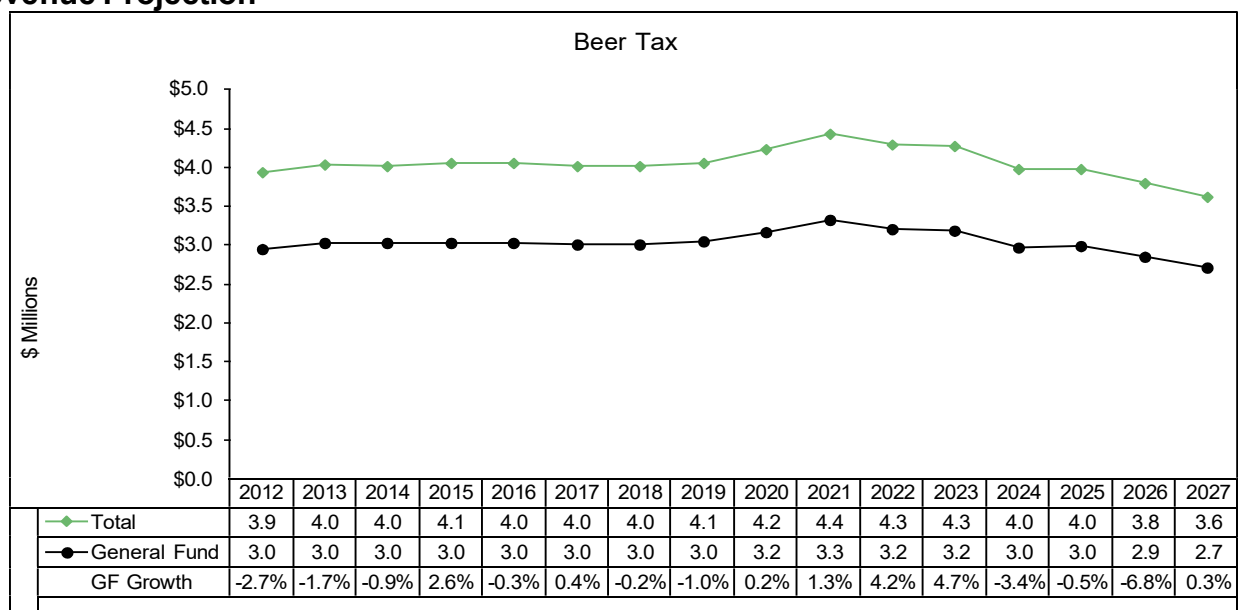
### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

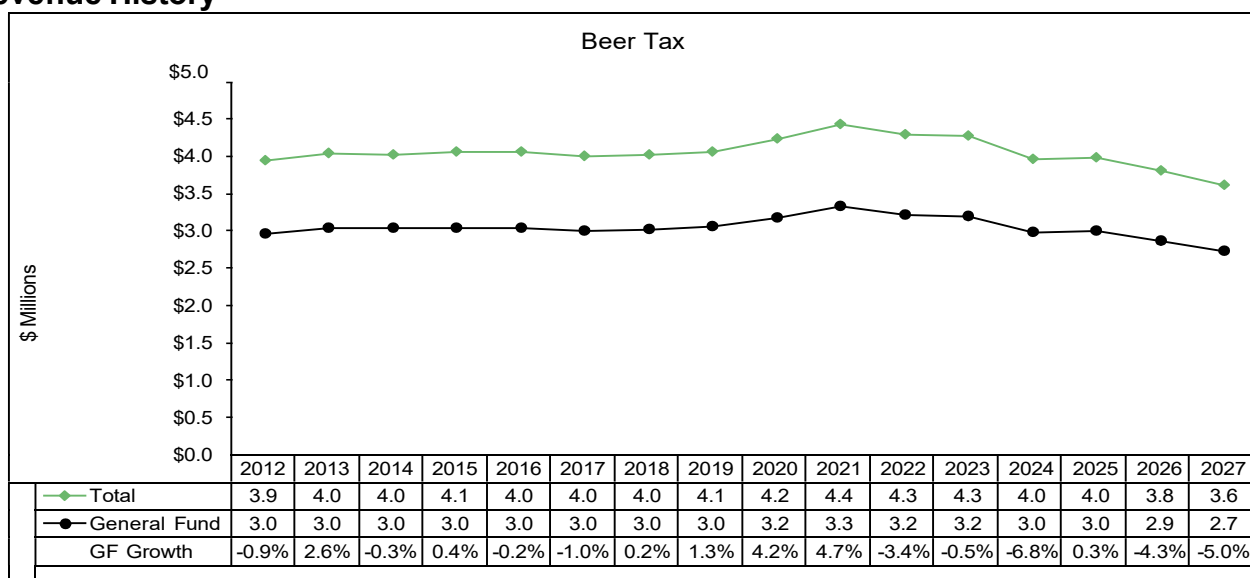
FY	Total Tax \$ Millions	GF Tax \$ Millions	Effective Tax Rate \$/Barrel	Proxy Barrels Millions	Montana Pop. >=21 Millions	Montana PCE Food \$ Millions	Montana Per Capita Consumption
A 2014	\$4.021	\$3.023	\$4.098	0.981	0.758	\$3,769.7	1.295
A 2015	4.059	3.034	4.056	1.001	0.766	\$4,306.1	1.306
A 2016	4.049	3.027	4.015	1.008	0.776	\$4,616.5	1.300
A 2017	4.009	2.998	3.991	1.005	0.786	\$4,838.4	1.278
A 2018	4.015	3.002	3.991	1.006	0.795	\$5,066.5	1.266
A 2019	4.065	3.041	3.992	1.018	0.804	\$5,172.9	1.267
A 2020	4.230	3.167	4.021	1.052	0.815	\$5,261.4	1.291
A 2021	4.432	3.315	4.011	1.105	0.831	\$5,368.8	1.329
A 2022	4.293	3.202	3.999	1.073	0.846	\$5,551.8	1.269
A 2023	4.269	3.188	3.990	1.070	0.856	\$5,770.7	1.249
A 2024	3.968	2.971	3.905	1.016	0.867	\$5,971.1	1.172
F 2025	3.973	2.980	3.928	1.011	0.877	\$6,184.0	1.153
F 2026	3.804	2.851	3.885	0.979	0.887	\$6,453.8	1.104
F 2027	3.614	2.709	3.860	0.936	0.896	\$6,777.1	1.045
F 2028	3.461	2.595	3.834	0.903	0.905	\$7,036.8	0.998
F 2029	3.317	2.487	3.809	0.871	0.913	\$7,278.2	0.954

## Consumption Taxes Revenue Projection

## Beer Tax



## Revenue History



## Cigarette Tax

### Revenue Description

An excise tax is levied on all cigarettes sold in Montana. The tax is collected from the wholesaler through sale of insignia and passed down to the retail consumer. The insignia are purchased from the state and affixed to each package of cigarettes. The state has agreements with six of the tribes in Montana (Blackfeet, Fort Belknap, Rocky Boy, Fort Peck, Crow, and Northern Cheyenne) wherein the sale of cigarettes on a reservation, up to a set quota, are untaxed and state cigarette tax revenues are shared with the tribes.

### Statutory Reference

Tax Rate – [16-11-111, MCA](#)

Tax Distribution – [16-11-119, MCA](#)

Date Due – Within 30 days after purchase of the insignia ([16-11-117, MCA](#))

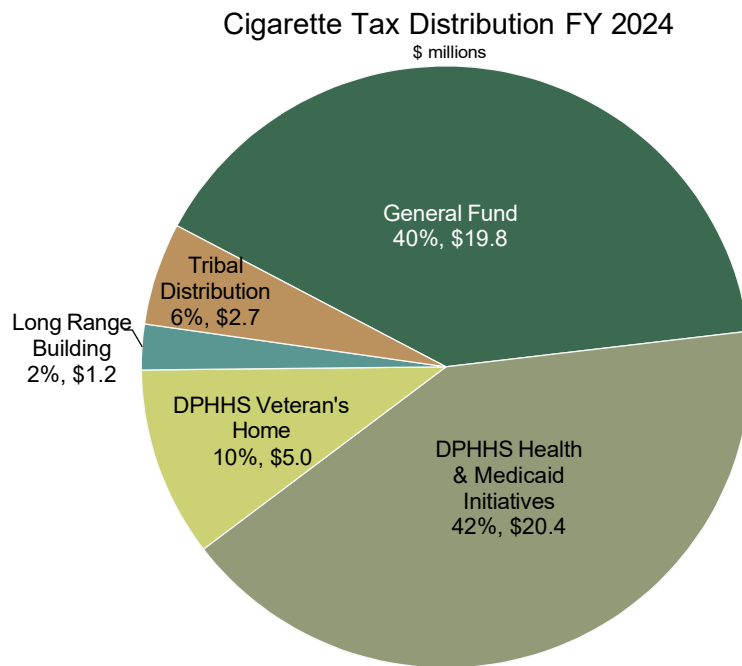
### Applicable Tax Rates

\$1.70 per package of 20 cigarettes, prorated by cigarette for packages that differ from 20 cigarettes.

**Collection Frequency:** Monthly

### Distribution

Cigarette tax revenue is distributed between the general fund, various state special revenue accounts administrated by the Department of Public Health and Human Services (DPHHS), the long range building fund, and six tribal governments according to intergovernmental agreements DOR and the tribes. Cigarette tax dollars are distributed to the tribes according to the following formula:  $(1.5) \times (\text{Montana per capita cigarette tax revenue}) \times (\text{enrolled tribal population})$ . This formula may be superseded by another agreed upon amount. The following chart shows the FY 2024 distribution of cigarette tax revenue.



### Forecast Risks

- Changes in tobacco CPI

## Consumption Taxes

## Cigarette Tax

- Changes in consumer spending
- Rate of change in effective tax rate

## Revenue Estimate Methodology

### Data

The cigarette tax estimate is based on data obtained from DOR, SABHRS, and S&P Global. Details on tax collections by month and refunds for quota sales are provided by DOR; fiscal year tax collections are from SABHRS; forecasts for independent economic variables are produced by S&P Global.

### Analysis

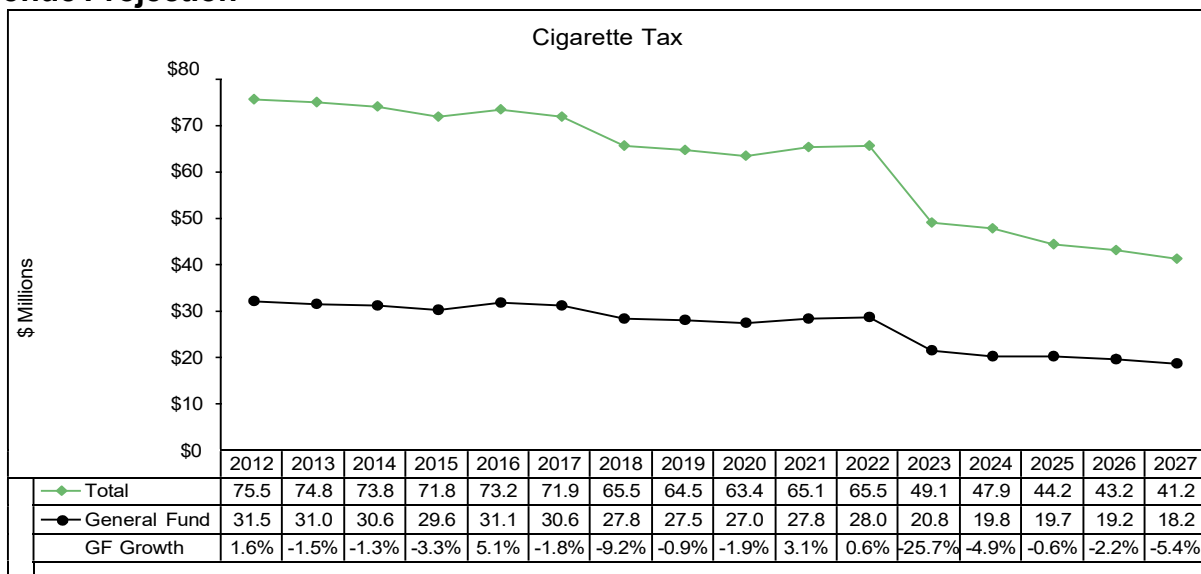
Per capita consumption is modeled on a ratio of CPI for tobacco to consumer spending on tobacco products. Forecast per capita consumption is multiplied by forecast Montana population over age 18 to produce an estimate of packs sold. Total tax collections are calculated by multiplying the number of packs sold in each year by the effective tax rate in that year.

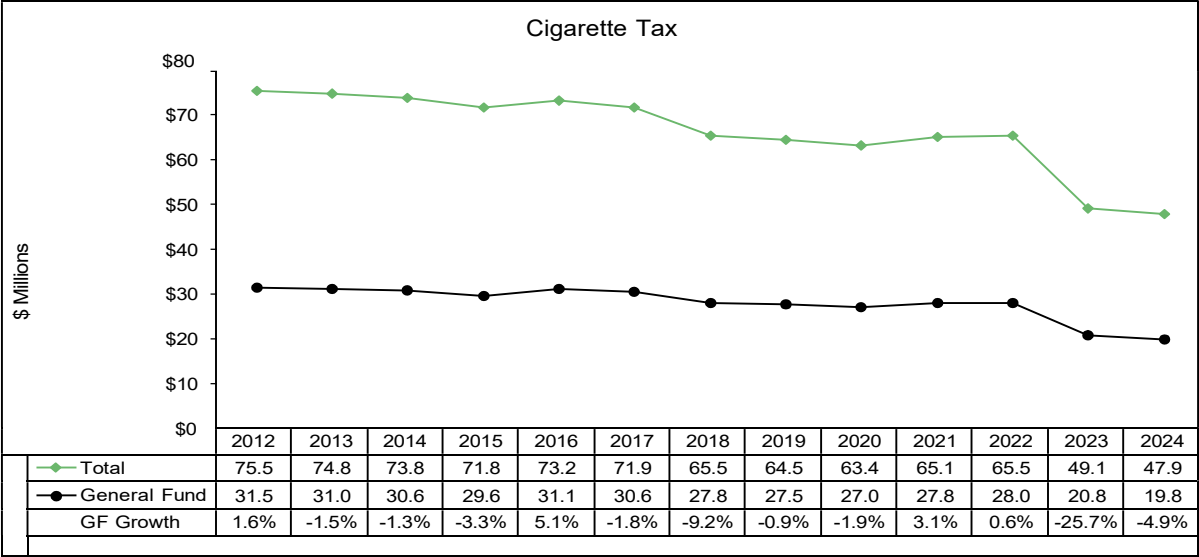
## Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Effective Tax Rate \$/Pack	Approximate Packs Sold Millions	CPI Tobacco	Cons. Spend. Tobacco \$ Millions	Monana Pop >= 18 Millions
A 2014	\$73.840	\$30.623	\$1.692	43.650	87.2	\$96.500	0.798
A 2015	71.844	29.604	1.666	43.123	89.4	101.116	0.807
A 2016	73.219	31.103	1.676	43.676	92.6	107.079	0.816
A 2017	71.872	30.558	1.681	42.768	96.8	112.419	0.827
A 2018	65.471	27.755	1.678	39.012	102.3	115.950	0.835
A 2019	64.466	27.500	1.663	38.775	106.3	116.017	0.844
A 2020	63.413	26.983	1.654	38.346	111.9	118.075	0.856
A 2021	65.108	27.818	1.700	38.304	118.4	124.036	0.873
A 2022	65.475	27.993	1.700	34.907	127.3	123.195	0.889
A 2023	49.052	20.797	1.469	33.387	136.0	121.191	0.900
A 2024	47.898	19.769	1.471	32.552	145.5	117.425	0.911
F 2025	44.247	19.658	1.470	30.094	154.2	115.562	0.921
F 2026	43.241	19.231	1.470	29.409	163.1	114.198	0.931
F 2027	41.219	18.188	1.470	28.034	171.8	110.895	0.940
F 2028	39.428	17.293	1.470	26.816	178.4	106.577	0.949
F 2029	36.886	15.991	1.470	25.087	185.3	103.468	0.957

## Revenue Projection







## Diesel Tax

### Revenue Description

There are two sources of revenue associated with the taxation of special fuels (primarily diesel): the diesel tax paid to the Montana Department of Transportation (MDT) for every gallon of diesel sold or used in the state; and a tax assessed on each gallon of diesel fuel for funding petroleum storage tank cleanup.

Distributors can withhold 1.0% of the diesel tax as an allowance for collecting the tax. To prevent the possibility of dual taxation of motor fuels purchased by Montana citizens and businesses on Indian reservations, MDT and Indian tribes may enter into a cooperative agreement. Refunds of the tax paid is provided for commercial vehicle use other than for use on public highways and streets, governmental use, and nonpublic school use for the transportation of pupils.

[Article VIII, Section 6](#) of the Montana Constitution provides that money from taxes on vehicle fuel be used solely for: payment of obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges; payment of county, city, and town obligations on streets roads, and bridges; and enforcement of highway safety, driver education, tourist promotion, and administrative collection costs. Appropriation of the money for any other use requires a three-fifth vote of each house of the legislature.

### Statutory Reference

Tax Rate – [15-70-321\(2\), MCA](#); [75-11-313, MCA](#) (storage tank cleanup)

Tax Distribution – [15-70-101\(1\), MCA](#); [75-11-314, MCA](#) (storage tank cleanup)

Date Due – 25<sup>th</sup> of the following month ([15-70-344\(1\), MCA](#))

### Applicable Tax Rates

- Diesel (Special) Fuel Tax: \$0.2975 per gallon
- Petroleum Storage Tank Cleanup Tax: \$0.0075 per gallon

**Collection Frequency:** Monthly

### Distribution

Diesel tax proceeds are distributed to MDT after the following deductions:

- 1.0% withheld by distributors;
- Administrative expenses and refunds under the tribal agreements;
- Diesel tax refunds; and
- Refunds through the international fuel tax agreement.
- \$0.04 to the highway patrol administration state special revenue account

Of the amount distributed to MDT, 1/4 of \$0.01 per gallon is allocated specifically to the funding of highway system maintenance.

### Forecast Risks

- Fuel price significantly different from historical prices

### Revenue Estimate Methodology

#### Data

Diesel tax collections data from SABHRS is used to produce a proxy amount for taxable gallons of diesel sold in Montana.

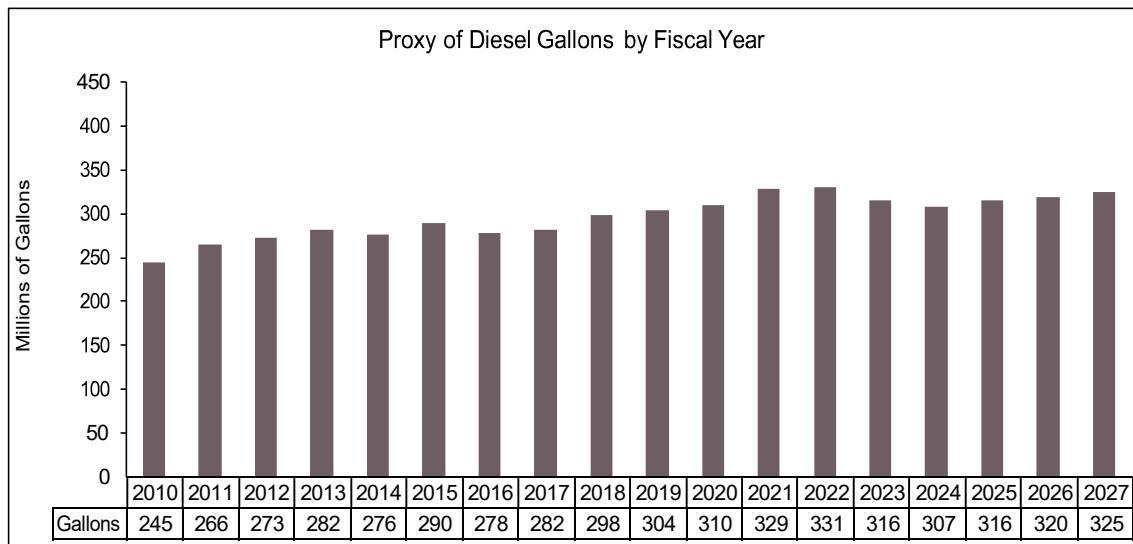
#### Analysis

## Consumption Taxes

## Diesel Tax

Diesel fuel taxes are estimated as separate taxes. First, the diesel tax is imposed on each gallon of diesel sold in the state. A second tax is imposed on all diesel fuel distributed in the state for diesel storage tank clean-up costs (storage tank tax). The two taxes are applied to different bases, because the diesel fuel tax provides credits against the cost of the tax to consumers who use the diesel “off highway.”

Future growth in diesel consumption is calculated using an autoregressive moving average time series. The storage tank tax is expected to follow the same patterns as the diesel fuel tax. The effective gasoline tax rates—created to adjust for the statutory credit provided to diesel distributors—are applied to the estimates to produce the estimate for gross tax revenues.



## Adjustments

Several adjustments are made to the expected gross diesel fuel tax revenues. Gross tax revenues are reduced by refunds, incentives, MDT administrative costs, and tribal agreements, resulting in the estimate for net diesel fuel tax revenue. No adjustments are required for the storage tank tax. The net tax revenues of the two taxes are combined to determine the estimate for total diesel fuel tax revenue.

## Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

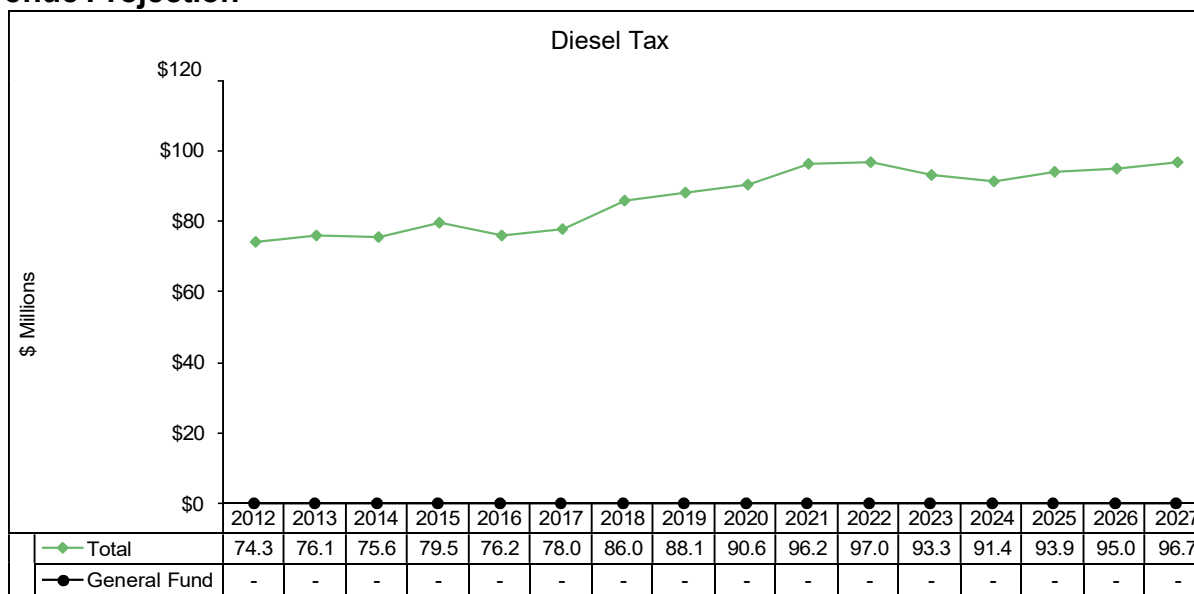
FY	Total Tax \$ Millions	GF Tax \$ Millions	Gross \$ Millions	Diesel Tax \$ Millions	Tank Tax \$ Millions	Refunds \$ Millions	DOT Diesel Tax
A 2014	\$75.560	-	\$78.753	\$72.609	\$2.951	(\$3.193)	\$72.609
A 2015	79.522	-	82.726	76.518	3.004	(3.204)	76.518
A 2016	76.213	-	79.292	73.415	2.798	(3.079)	73.415
A 2017	77.957	-	80.433	74.880	3.077	(2.475)	74.880
A 2018	85.994	-	89.293	83.090	2.904	(3.300)	64.344
A 2019	88.091	-	91.131	85.128	2.963	(3.040)	66.373
A 2020	90.551	-	93.413	87.527	3.024	(2.861)	67.649
A 2021	96.199	-	98.855	93.120	3.079	(2.656)	71.546
A 2022	96.978	-	99.966	93.776	3.201	(2.988)	71.029
A 2023	93.301	-	96.099	90.268	3.033	(2.797)	68.702
A 2024	91.432	-	93.695	88.295	3.137	(2.264)	72.553
F 2025	93.908	-	96.115	90.763	3.146	(2.207)	74.545
F 2026	94.980	-	97.334	91.803	3.177	(2.354)	75.445
F 2027	96.675	-	99.071	93.453	3.223	(2.396)	76.873
F 2028	96.819	-	99.219	93.593	3.227	(2.400)	76.994
F 2029	98.609	-	101.053	95.334	3.275	(2.444)	78.501

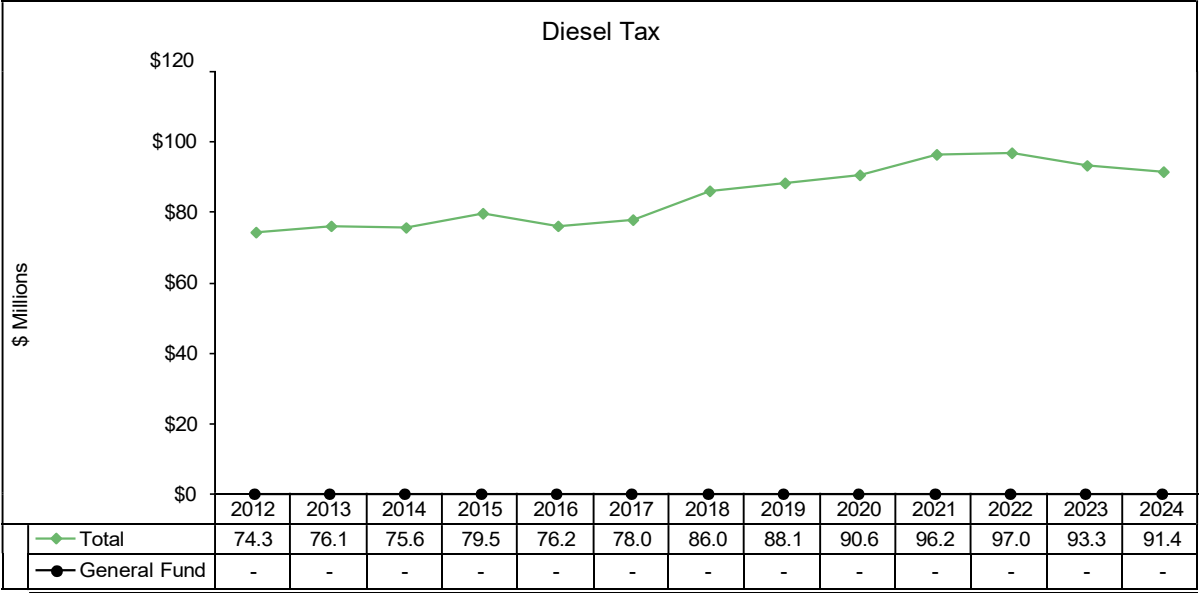
## Consumption Taxes

## Diesel Tax

FY	Diesel Effect. Tax Rate \$/gal	Tank Effect. Tax Rate \$/gal	Diesel Gallons Millions	Tank Gallons Millions	MT Highway Patrol Adm. Account	Diesel BARSA Account	Refunds FTA Suspense
A 2014	0.2747	0.0075	275.919	-			
A 2015	0.2747	0.0075	290.187	-			
A 2016	0.2747	0.0075	278.440	-			
A 2017	0.2747	0.0075	281.575	-			
A 2018	0.2896	0.0075	298.331	-	\$10.605	\$3.977	\$4.164
A 2019	0.2896	0.0075	304.473	-	10.885	4.176	3.694
A 2020	0.2916	0.0075	310.021	-	11.051	4.696	4.131
A 2021	0.2916	0.0075	328.500	-	11.669	5.006	4.898
A 2022	0.2925	0.0075	330.768	-	12.084	5.531	5.132
A 2023	0.2945	0.0075	315.987	-	11.334	5.235	4.997
A 2024	0.2945	0.0075	307.472	-	11.627	(0.524)	4.638
F 2025	0.2945	0.0075	315.660	0.038	11.580	-	4.638
F 2026	0.2945	0.0075	319.688	0.040	11.720	-	4.638
F 2027	0.2945	0.0075	325.434	0.042	11.941	-	4.638
F 2028	0.2945	0.0075	325.922	0.044	11.960	-	4.638
F 2029	0.2945	0.0075	331.985	-	12.194	-	4.638

## Revenue Projection





## Gasoline Tax

### Revenue Description

There are two sources of revenue associated with the taxation of gasoline: a gasoline license tax paid to the Montana Department of Transportation (MDT) by every distributor for the privilege of selling gasoline; and a tax assessed on each gallon of gasoline for the purpose of funding petroleum storage tank cleanup.

Distributors can withhold 1.0% of the gasoline tax as an allowance for collecting the tax. To prevent the possibility of dual taxation of motor fuels purchased by Montana citizens and businesses on Indian reservations, MDT and Indian tribes may enter into a cooperative agreement. Refunds of the tax paid is provided for denaturing alcohol used in gasohol, stationary gasoline engines used off public highways and streets, and commercial vehicle use other than for use on public highways and streets.

[Article VIII, Section 6](#) of the Montana Constitution provides that money from taxes on vehicle fuel be used solely for: payment of obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges; payment of county, city, and town obligations on streets roads, and bridges; and enforcement of highway safety, driver education, tourist promotion, and administrative collection costs. Appropriation of the money for any other use requires a three-fifth vote of each house of the legislature.

### Statutory Reference

Tax Rate – [15-70-204\(1\), MCA](#); [75-11-314, MCA](#) (storage tank cleanup)

Distribution – [15-70-101\(1\), MCA](#); [15-70-403, MCA](#); [60-3-201\(1\), MCA](#); [75-11-313, MCA](#) (storage tank cleanup)

Date Due – 25<sup>th</sup> of the following month ([15-70-410\(1\), MCA](#))

### Applicable Tax Rates

Gasoline License Tax: \$0.33 per gallon

Petroleum Storage Tank Cleanup Tax: \$0.0075 per gallon

**Collection Frequency:** Monthly

### Distribution

After four reductions—the 1.0% withheld by distributors, administrative expenses and refunds under tribal agreements, refunds, and refunds through the international fuel tax agreement—gasoline tax is allocated as follows:

- 9/10 of 1.0% to the state park account
- 15/28 of 1.0% to a snowmobile account, which is further allocated 86.0% for general use, 4.33% for enforcement, 8.67% for safety and education, and 1.0% to the noxious weed trust
- 1/8 of 1.0% to an off-highway vehicle account, which is further allocated 90% for general use and 10% for safety
- 1/25 of 1.0% to the aeronautics revenue fund of the Department of Transportation
- The revenue from 22 cents less the above allocations to the highway restricted account
- The revenue from 4 cents less the above allocations to the highway patrol administration state special revenue account
- The remaining revenue less the above allocations to the local government road construction and maintenance restricted account

Forecast Risks

- Fuel prices significantly different from historical prices

Revenue Estimate Methodology

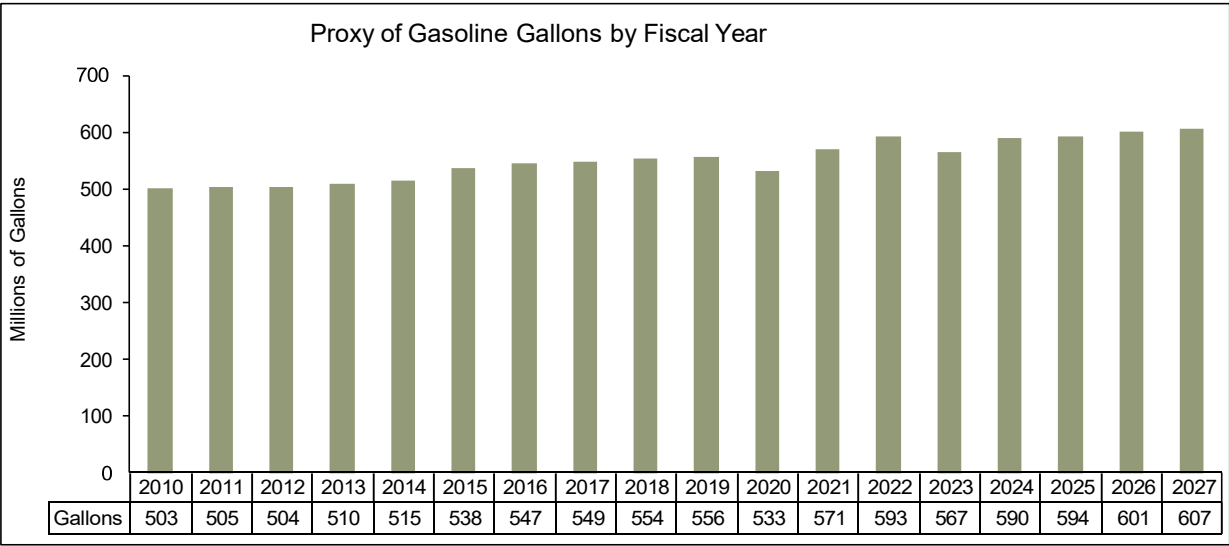
Data

Gasoline tax collections data from SABHRS is used to produce a proxy amount for taxable gallons of gasoline sold in Montana.

Analysis

The gasoline tax and the gasoline petroleum storage tank cleanup tax are estimated separately. First, the gasoline tax is imposed on each gallon of gasoline sold in the state. A second tax is imposed on all gasoline distributed in the state for gasoline storage tank clean-up costs (storage tank tax). The two taxes are applied to different bases, because the gasoline tax provides credits against the cost of the tax to consumers who use the gasoline “off highway.”

Future growth in gasoline consumption is calculated using an autoregressive moving average time series. The storage tank tax is expected to follow the same patterns as the gasoline tax. The effective gasoline tax rates—created to adjust for the statutory credit provided to gasoline distributors—are applied to the estimates to produce the estimate for gross tax revenues.



Adjustments

Several adjustments are made to the expected gross gasoline tax revenues. Gross tax revenues are reduced by refunds, incentives, MDT administrative costs, and tribal agreements, resulting in the estimate for net gasoline tax revenue. No adjustments are required for the storage tank tax. Next, the net tax revenues of the two taxes are combined to determine the estimate for total gasoline tax revenue.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

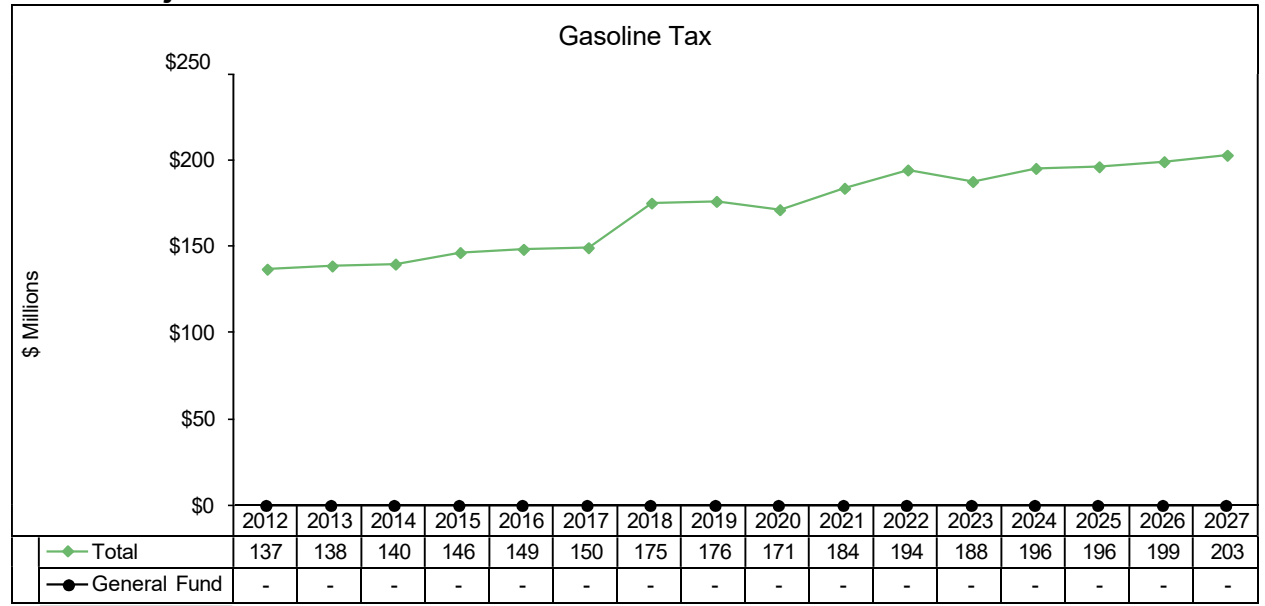
## Consumption Taxes

## Gasoline Tax

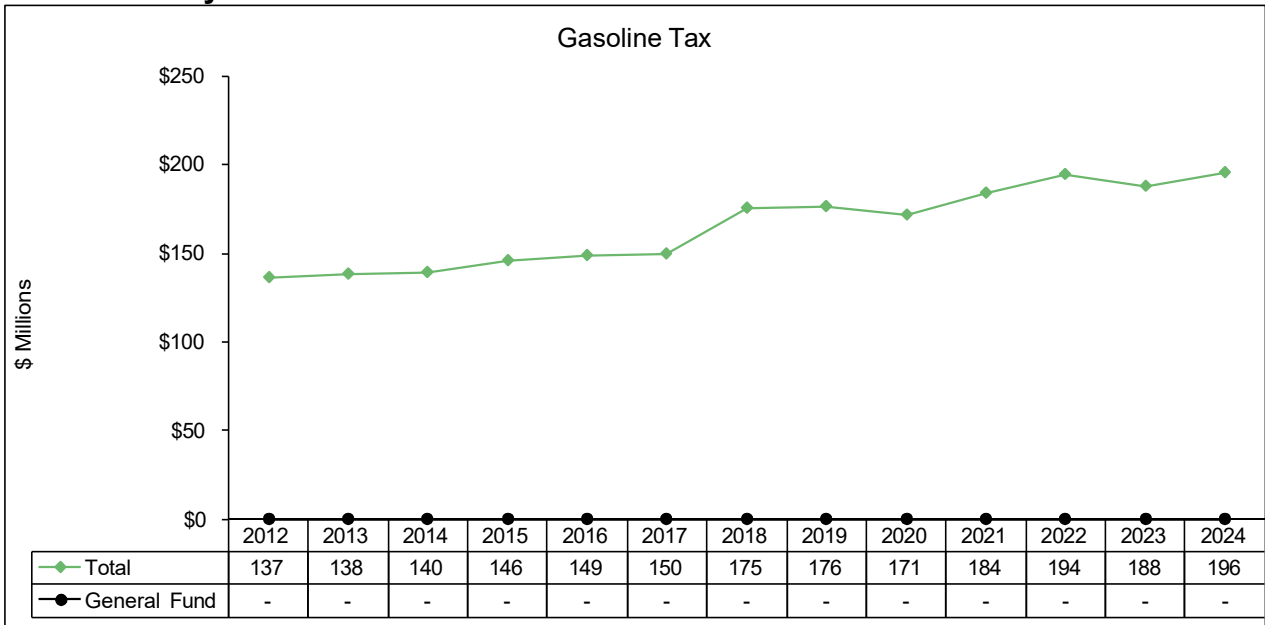
FY	Total Tax \$ Millions	GF Tax \$ Millions	Gross Tax \$ Millions	Gas Tax \$ Millions	Tank Tax \$ Millions	Refunds \$ Millions
A 2014	\$139.645	-	\$141.439	\$135.809	\$3.836	(\$1.794)
A 2015	146.110	-	147.732	142.152	3.958	(1.622)
A 2016	148.603	-	150.248	144.544	4.059	(1.645)
A 2017	149.691	-	151.324	145.196	4.495	(1.633)
A 2018	175.061	-	176.771	170.939	4.122	(1.710)
A 2019	176.032	-	177.619	171.892	4.140	(1.586)
A 2020	171.249	-	172.893	167.286	3.964	(1.644)
A 2021	183.990	-	185.787	179.190	4.800	(1.797)
A 2022	194.375	-	195.965	189.356	5.019	(1.590)
A 2023	187.793	-	189.386	183.569	4.224	(1.593)
A 2024	195.654	-	197.059	191.355	4.299	(1.459)
F 2025	195.796	-	197.218	191.268	4.528	(1.422)
F 2026	199.208	-	200.780	194.598	4.609	(1.572)
F 2027	202.815	-	204.342	198.124	4.691	(1.527)
F 2028	206.390	-	207.904	201.617	4.773	(1.515)
F 2029	209.967	-	211.467	205.113	4.855	(1.499)

FY	Gas Effect. Tax Rate \$/gal	Tank Effect. Tax Rate \$/gal	Gas Gallons Millions	Tank Gallons Millions	DOT \$ Millions	FWP Snow \$ Millions	FWP Boat \$ Millions
A 2014	0.2673	-	0.008	-	\$0.000	\$133.642	\$0.626
A 2015	0.2673	-	0.008	-	-	139.883	0.655
A 2016	0.2673	-	0.008	-	-	142.238	0.666
A 2017	0.2673	-	0.008	-	-	142.877	0.675
A 2018	0.3119	-	0.008	-	-	100.753	0.752
A 2019	0.3119	-	0.008	-	-	100.825	0.756
A 2020	0.3168	-	0.008	-	-	96.707	0.740
A 2021	0.3168	-	0.008	-	-	101.554	0.773
A 2022	0.3218	-	0.008	-	-	104.491	0.805
A 2023	0.3267	-	0.008	-	-	102.886	0.810
A 2024	0.3267	-	0.008	-	47.577	118.143	0.830
F 2025	0.3267	0.0499	0.008	0.038	47.612	111.494	0.850
F 2026	0.3267	0.0379	0.008	0.040	48.441	113.538	0.866
F 2027	0.3267	0.0308	0.008	0.042	49.318	115.703	0.882
F 2028	0.3267	0.0288	0.008	0.044	50.188	117.847	0.898
F 2029	0.3267	-	0.008	-	51.058	119.994	0.914

FY	Aeronautics \$ Millions	Off Highway \$ Millions	Weed Gasoline \$ Millions	Snow Enforce. Gasoline \$ Millions	Snow Con-Ed. Gasoline \$ Millions	OHV Con-Ed. Gasoline \$ Millions
A 2014	\$1.222	\$3.836	\$0.153	\$0.000	\$0.032	\$0.063
A 2015	1.279	3.958	0.161	-	0.034	0.065
A 2016	1.301	4.059	0.163	-	0.034	0.067
A 2017	1.318	4.495	0.165	-	0.034	0.068
A 2018	1.469	4.122	0.184	-	0.038	0.076
A 2019	1.478	4.140	0.185	-	0.038	0.076
A 2020	1.445	3.964	0.181	-	0.037	0.075
A 2021	1.510	4.800	0.189	-	0.039	0.078
A 2022	1.840	5.019	0.196	-	0.047	0.095
A 2023	1.582	4.224	0.198	-	0.041	0.082
A 2024	1.622	4.299	0.203	-	0.042	0.084
F 2025	1.661	4.528	0.208	-	0.038	0.075
F 2026	1.691	4.609	0.211	-	0.038	0.077
F 2027	1.723	4.691	0.215	-	0.039	0.078
F 2028	1.754	4.773	0.219	-	0.040	0.080
F 2029	1.786	4.855	0.223	-	0.040	0.081



Revenue History





## GVW and Other Fees

### Revenue Description

There are two types of revenue derived from over 20 different sources: fee revenue and permit revenue. The majority of revenue is derived from a variety of gross vehicle weight (GVW) fees, including those fees collected by counties when vehicles are registered. Miscellaneous permits comprise the second income component under this source.

### Statutory Reference

Tax Rate – [Title 61, Chapter 10, MCA](#); [Administrative Rules 18.8.202](#)

Tax Distribution (MCA) – Multiple

**Applicable Tax Rates:** [Title 61, Chapter 10, MCA](#)

**Collection Frequency:** Various

**Distribution:** GVW revenue is allocated to the Montana Department of Transportation (MDT).

### Forecast Risks

- Vehicle sales
- Gas prices

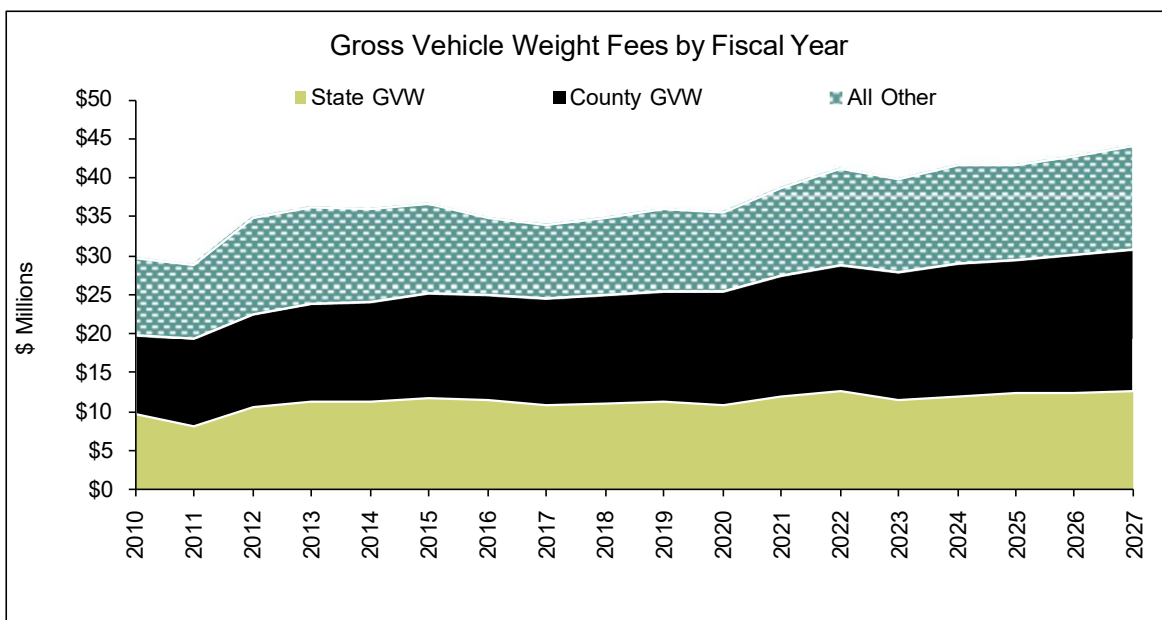
### Revenue Estimate Methodology

#### Data

The SABHRS data provide the historic collection data for the 13 different types of fees and permits. MDT provides statistics on the number of gross weight vehicle licenses for use in Montana.

#### Analysis

The state of Montana imposes many fees and requires several types of permits based on the gross weight of commercial and large privately-owned vehicles. The largest sources of revenue in the GVW are the gross vehicle weight fees collected by both counties and the state. The figure below demonstrates the relative importance of these two sources to the overall GVW collections.



**Consumption Taxes****GVW and Other Fees**

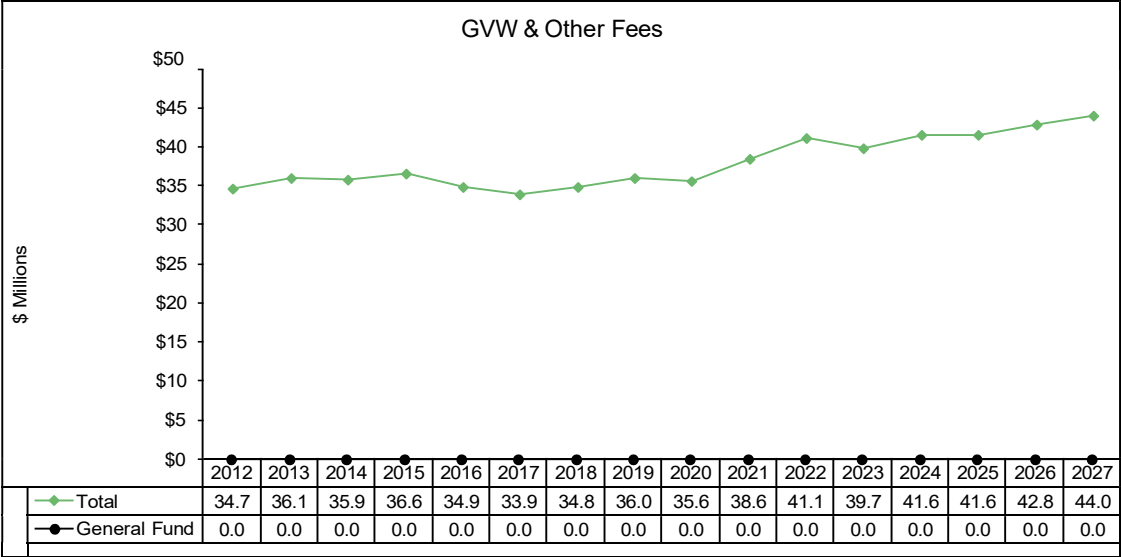
Both county and state GVW fees are forecast by applying an estimated growth in Montana's vehicle stock to the previous year's collections. This same methodology is applied to the remaining smaller fees associated with this revenue source.

**Revenue Estimate Assumptions**

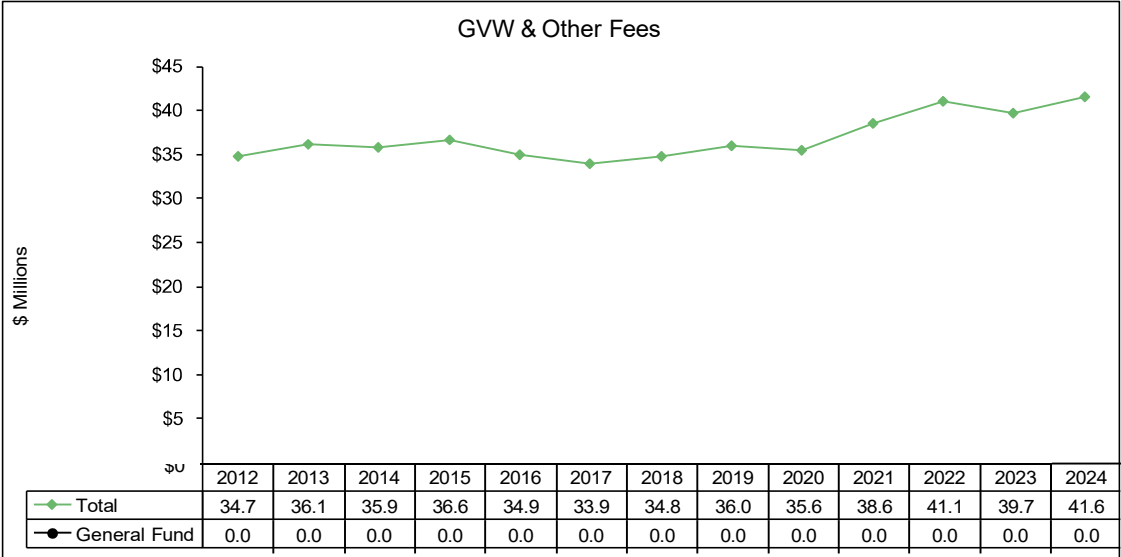
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

FY	Total Tax \$ Millions	GF Tax \$ Millions	GVW \$ Millions	SSRS \$ Millions	Form 3 \$ Millions	Trip \$ Millions	County \$ Millions
A 2014	\$35.856	\$0.000	\$11.179	\$0.000	\$1.031	\$0.676	\$12.939
A 2015	36.602	-	11.791	-	1.007	0.708	13.492
A 2016	34.914	-	11.363	-	1.026	0.538	13.494
A 2017	33.892	-	10.830	-	0.903	0.483	13.694
A 2018	34.844	-	10.968	-	0.991	0.524	14.005
A 2019	35.994	-	11.209	-	0.982	0.556	14.213
A 2020	35.555	-	10.803	-	0.887	0.509	14.621
A 2021	38.567	-	11.974	-	0.873	0.512	15.509
A 2022	41.058	-	12.539	-	0.812	0.613	16.175
A 2023	39.726	-	11.395	-	0.834	0.604	16.440
A 2024	41.604	-	11.944	-	0.775	0.054	17.161
F 2025	41.599	-	12.267	-	0.756	0.054	17.246
F 2026	42.794	-	12.447	-	0.756	0.054	17.676
F 2027	43.968	-	12.626	-	0.756	0.054	18.106
F 2028	45.135	-	12.806	-	0.756	0.054	18.536
F 2029	46.200	-	12.986	-	0.756	0.054	18.966

FY	Overweight \$ Millions	Special \$ Millions	Fuel \$ Millions	Other \$ Millions
A 2014	\$0.000	\$3.885	\$1.413	\$0.247
A 2015	-	3.864	1.352	0.292
A 2016	-	3.123	1.256	0.243
A 2017	-	2.836	1.232	0.231
A 2018	-	3.091	1.283	0.223
A 2019	-	3.512	1.374	0.237
A 2020	-	3.454	1.322	0.226
A 2021	-	3.910	1.349	0.261
A 2022	-	4.844	1.445	0.277
A 2023	-	4.771	1.450	0.259
A 2024	-	5.259	1.466	0.239
F 2025	0.050	4.859	1.440	0.260
F 2026	0.038	5.224	1.483	0.247
F 2027	0.031	5.662	1.525	0.239
F 2028	0.029	6.011	1.553	0.239
F 2029	-	6.281	1.570	0.239



Revenue History



## Liquor Excise and License Tax

### Revenue Description

DOR is the only liquor wholesaler in the state of Montana. An excise tax and a license tax are collected both on liquor sold by DOR and liquor purchased outside the state (by airlines and passenger rail) for consumption within the state.

### Statutory Reference

Tax Rate – Excise tax: [16-1-401, MCA](#); License tax: [16-1-404, MCA](#)

Tax Distribution – Excise tax: [16-1-401, MCA](#) & [16-2-108, MCA](#); License tax: [16-1-404, MCA](#)

Date Due – Excise tax is collected at the time of sale and distributed by the 10<sup>th</sup> day of each month. License tax is collected at the time of sale.

### Applicable Tax Rates

All liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed the liquor is taxed a percentage rate on the retail selling price based on the following number of proof gallons of liquor handled nationwide by that company in the calendar year preceding imposition of the tax:

#### Excise Tax Rate

- 3.0% – Less than 20,000 proof gallons
- 8.0% – 20,000 to 50,000 proof gallons
- 13.8% – 50,001 to 200,000 proof gallons
- 16.0% – More than 200,000 proof gallons

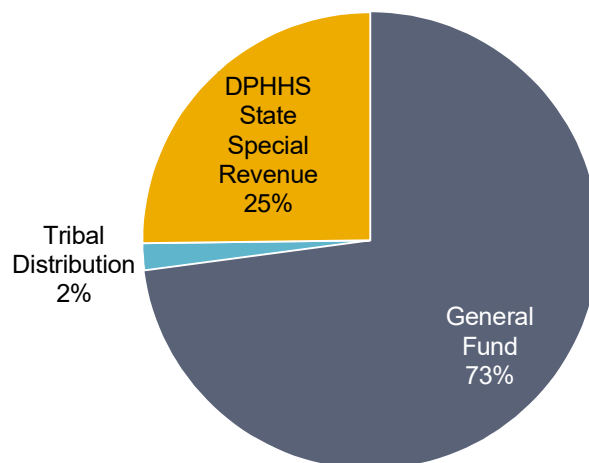
#### License Tax Rate

- 10.0% – More than 200,000 proof gallons
- 8.6% – Not more than 200,000 proof gallons

**Collection Frequency:** Both the liquor excise tax and the license tax on liquor are collected at the time of the sale and delivery of liquor. Deposits to the general fund are made monthly.

### Distribution

Liquor excise and license tax revenue is distributed between the general fund, the Department of Public Health and Human Services (DPHHS) state special revenue alcohol account, and tribal governments according to intergovernmental agreements between DOR and the tribes. Liquor tax dollars are distributed to Blackfeet, Fort Belknap, Fort Peck, and Flathead according to the following formula: (per capita liquor consumption) x (tribal membership) x (Montana tax rate). The following chart shows the FY 2022 distribution of liquor tax revenue.



### Forecasting Risks

- Change in Montana consumption patterns
- Departure of sales growth from historic trends

## Consumption Taxes

## Liquor Excise and License Tax

### Revenue Estimate Methodology

#### Data

The liquor profits estimate is based on data obtained from DOR, SABHRS, and S&P Global. Details on number of units sold, and average cost per unit are provided by DOR; fiscal year tax collections are from SABHRS; forecasts for independent economic variables are produced by S&P Global.

#### Analysis

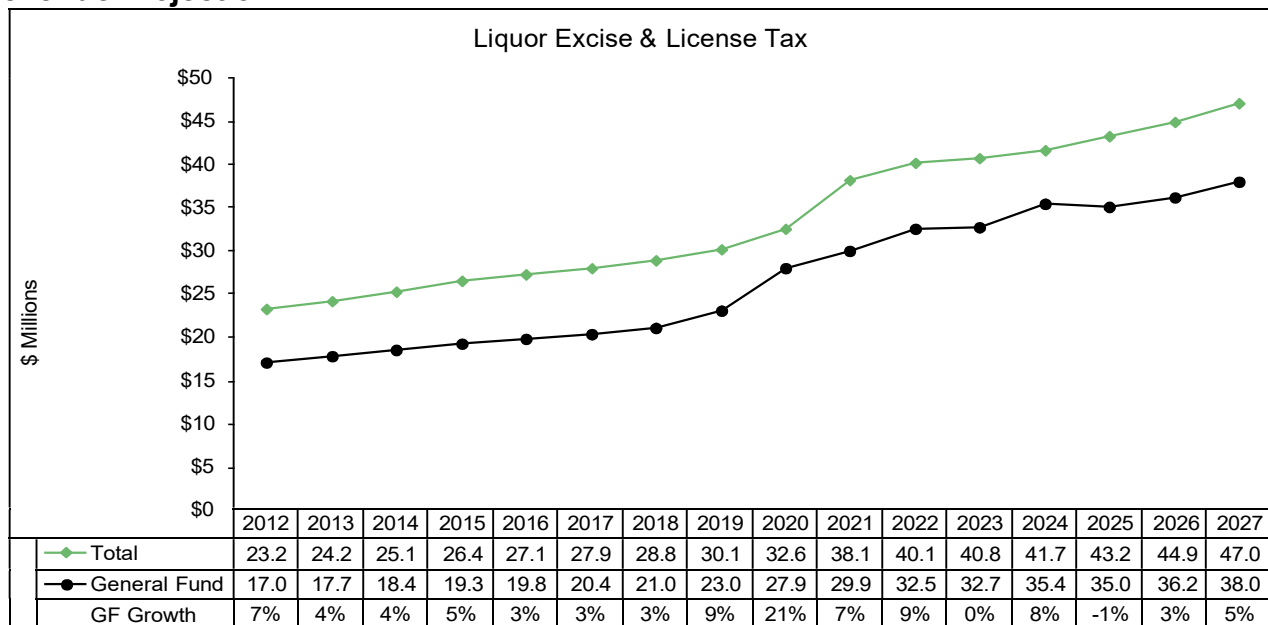
Gross liquor sales are modeled on the Montana personal consumption expenditure series for food, and the forecast growth rate is applied to the most recent year of actual sales. Liquor taxes are calculated by applying the tax rates to the retail sales price of liquor sold. The tax rate is lower for companies that produce less than 200,000 gallons; however, at this time the lower tax rates are not considered.

### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Gross Sales \$ Millions	Montana PCE Food \$ Millions	Excise Tax \$ Millions	License Tax \$ Millions
A 2014	\$25.123	\$18.418	\$99.209	\$3,769.700	\$15.460	\$0.000
A 2015	26.420	19.257	104.799	4,306.117	16.256	-
A 2016	27.130	19.776	107.725	4,616.476	16.691	-
A 2017	27.932	20.366	111.502	4,838.378	17.187	-
A 2018	28.806	21.007	115.292	5,066.536	17.725	-
A 2019	30.088	22.938	120.992	5,172.928	18.512	0.992
A 2020	32.575	27.865	131.463	5,261.433	20.047	4.080
A 2021	38.140	29.890	155.455	5,368.751	23.469	2.067
A 2022	40.085	32.545	163.681	5,551.843	24.663	3.379
A 2023	40.790	32.705	166.864	5,770.715	25.108	3.000
A 2024	41.699	35.443	170.213	5,971.076	25.667	5.073
F 2025	43.199	35.016	178.644	6,184.006	26.584	16.615
F 2026	44.936	36.185	186.413	6,453.797	27.599	17.338
F 2027	47.044	37.974	195.721	6,777.052	28.841	18.203
F 2028	48.695	39.195	203.202	7,036.831	29.796	18.899
F 2029	50.221	40.422	210.153	7,278.236	30.675	19.546

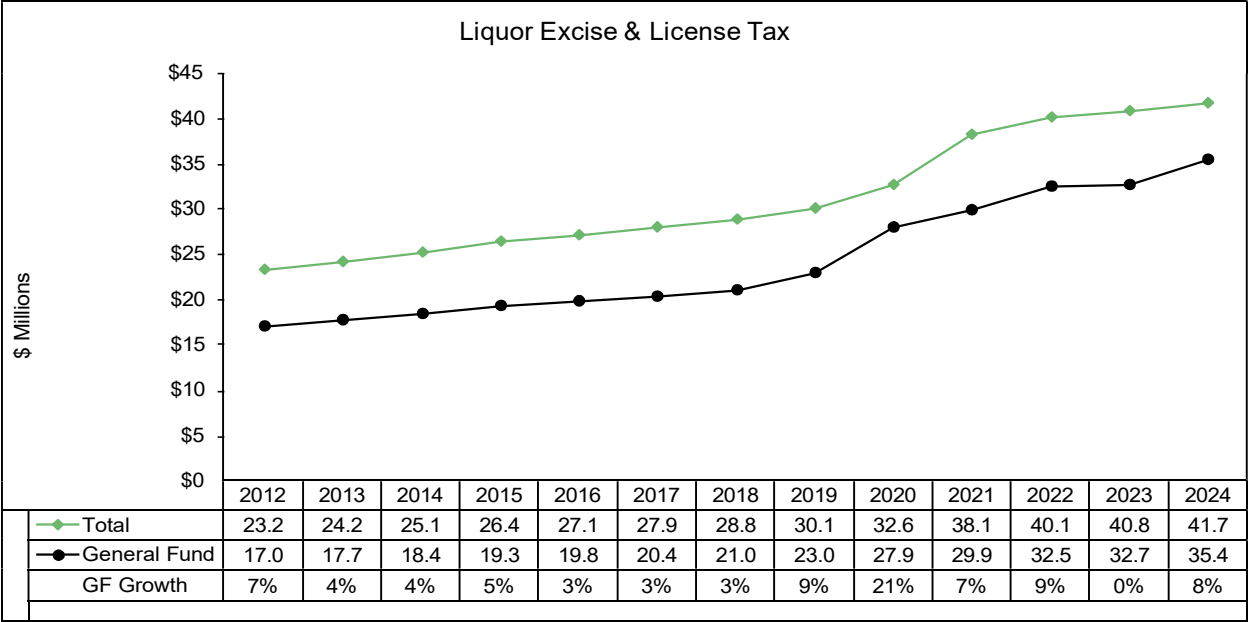
### Revenue Projection



Consumption Taxes

Liquor Excise and License Tax

Revenue History



## Liquor Profits

### Revenue Description

Liquor profit income is derived from two sources: profits from liquor sales to retail establishments and profits resulting from the competitive bid auction for transfer of liquor licenses. Profits from these activities are transferred from the Department of Revenue (DOR) liquor enterprise fund to the general fund. DOR is the only liquor wholesaler in the state of Montana.

### Statutory Reference

Tax Rate – Authority to markup [16-1-404\(2\), MCA](#) and rate of markup [ARM 42.11.104](#) Competitive bid [16-4-430, MCA](#)

Tax Distribution – [16-2-108\(4\), MCA](#)

Date Due – N/A

### Applicable Tax Rates

Liquor profits received by the state are primarily generated by a mark-up on the sale of liquor and fortified wine, less costs such as commissions and discounts. A 40% mark-up is added to the state's base cost for liquor. The state's mark-up percentage on the base cost of fortified wine (more than 16% but no greater than 24% alcohol by volume) is 51%. The state's mark-up on sacramental wine (more than 16% but no greater than 24% alcohol by volume) is 20%. A reduced markup of 20% is available to some distilleries that produce less than 25,000 proof gallons annually.

Competitive bid licenses are announced at a minimum bid of 75% of market price and are awarded to the highest bidder.

**Collection Frequency:** Payment for liquor purchases is due within 60 days of the invoice date and revenue is deposited into an enterprise fund.

**Distribution:** Liquor profits are deposited in the general fund annually.

### Forecast Risks

- Change in Montana consumption patterns
- Departure of sales growth from historic trends
- Lack of population growth or loss of demand for liquor licenses
- Diversion of enterprise funds

### Revenue Estimate Methodology

#### Data

The liquor profits estimate is based on data obtained from DOR, SABHRS, and S&P Global. Details on number of units sold, and average cost per unit are provided by DOR, fiscal year tax collections are from SABHRS, and forecasts for independent economic variables are produced by S&P Global.

#### Analysis

Gross liquor sales are modeled on the Montana personal consumption expenditure (PCE) series for food, and the forecast growth rate is applied to the most recent year of actual sales. Net profits are calculated by reducing the gross sales by excise and license tax amounts, discounts, cost of goods sold, and a trended estimate of the division's operating budget. The amount transferred to the general fund is typically rounded to the nearest \$0.5 million, so the forecast for liquor profits is rounded accordingly. Estimates for license transfers are based on a 5-year moving average. In FY 2024 \$12.0 million in liquor profits was used to fund the expansion of the liquor warehouse, reducing the general fund transfer to \$7.0 million.

## Consumption Taxes

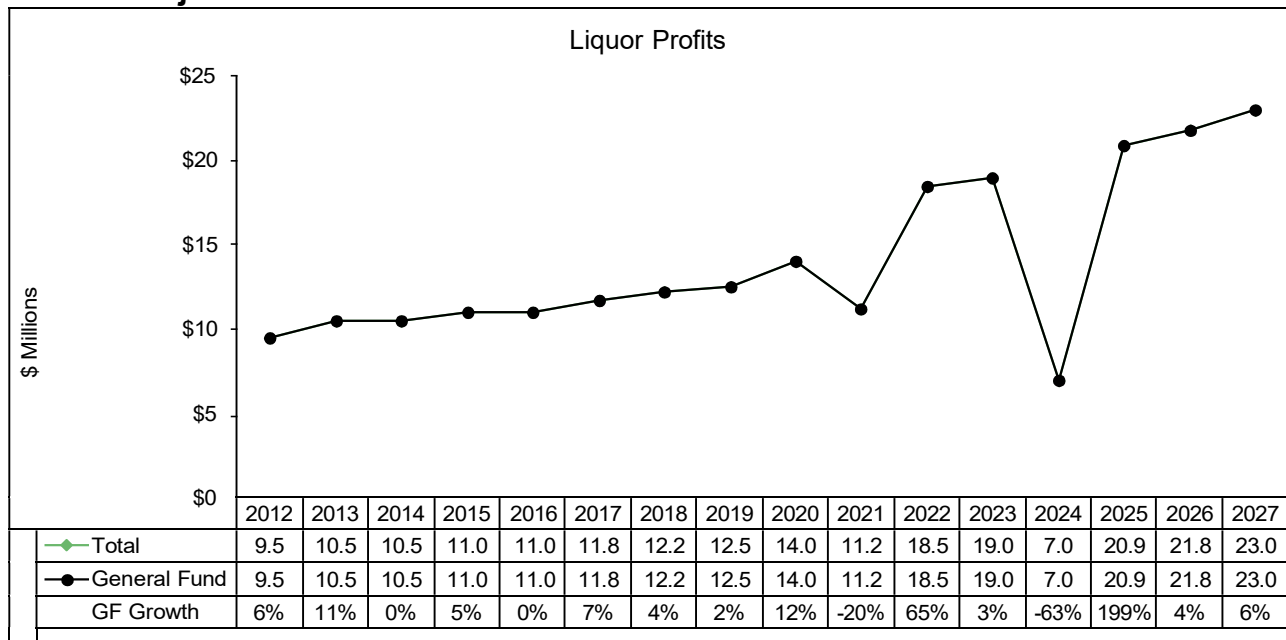
## Liquor Profits

### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

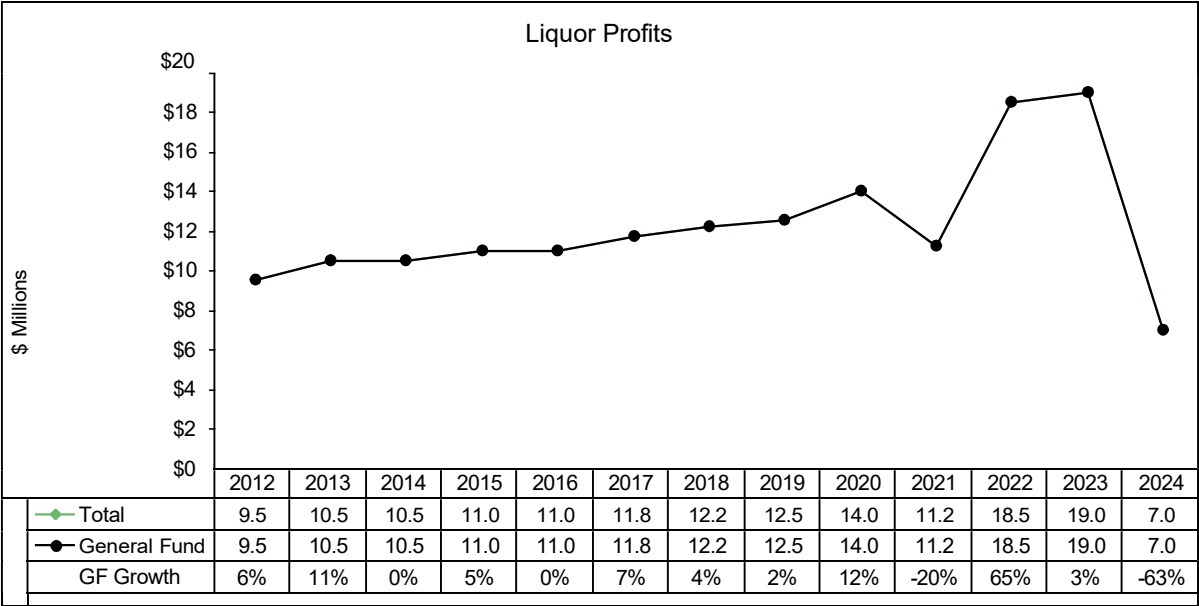
FY	GF Profit \$ Millions	Gross Revenue \$ Millions	Business Costs \$ Millions	License & Excise Taxes \$ Millions	Liquor License Transfer	Montana PCE Food \$ Millions	Gross Sales \$ Millions
A 2014	\$10.500	\$172.460	\$15.540	\$15.521		\$3,769.700	99.209
A 2015	11.000	181.914	16.633	16.510		\$4,306.117	104.799
A 2016	11.000	186.902	17.518	17.064		\$4,616.476	107.725
A 2017	11.750	193.268	18.033	17.471		\$4,838.378	111.502
A 2018	12.200	199.416	18.811	17.985		\$5,066.536	115.292
A 2019	12.500	209.563	19.816	20.886	\$5,172.928	\$5,172.928	120.992
A 2020	14.000	227.434	21.426	29.515	\$5,261.433	\$5,261.433	131.463
A 2021	11.189	269.571	25.226	27.017	\$5,368.751	\$5,368.751	155.455
A 2022	18.500	282.238	26.514	32.100	\$5,551.843	\$5,551.843	163.681
A 2023	19.000	288.172	29.957	31.108	\$5,770.715	\$5,770.715	166.864
A 2024	7.000	305.618	27.472	35.866	\$5,971.076	\$5,971.076	170.213
F 2025	20.900	307.631	28.921	48.239	\$6,184.006	\$6,184.006	178.644
F 2026	21.800	320.928	30.165	49.752	\$6,453.797	\$6,453.797	186.413
F 2027	23.000	336.850	31.662	52.396	\$6,777.052	\$6,777.052	195.721
F 2028	24.000	349.656	32.870	54.166	\$7,036.831	\$7,036.831	203.202
F 2029	24.900	361.560	33.919	55.985	\$7,278.236	\$7,278.236	210.153

### Revenue Projection





Revenue History



## Lottery Profits

### Revenue Description

Lottery revenue is derived from ticket sales, sports betting, sales agents license fees, and unclaimed prizes. These funds are deposited into the lottery enterprise fund. After paying prizes, ticket costs, commissions, and other operating costs from the enterprise fund, profits are transferred to the general fund.

### Statutory Reference

Tax Rate – N/A

Distribution – [23-7-402\(3\), MCA](#)

Date Due – Quarterly ([23-7-402\(3\), MCA](#))

**Applicable Tax Rates:** N/A

**Collection Frequency:** Lottery revenues are collected on an on-going basis. Transfers to the general fund are made quarterly.

**Distribution:** Prior to changes enacted by the 2019 Legislature, net proceeds are deposited into the general fund, up to the amount transferred in FY 2015 (\$12.4 million). Any additional revenue was to be diverted into a state special revenue fund for science, technology, engineering, and mathematics (STEM) scholarships. Currently an appropriation for STEM scholarships is funded before any funds are transferred to the general fund.

### Forecast Risks

- Fluctuating short-term interest rates
- Changing Montana population
- Unexpected number of jackpots won

### Revenue Estimate Methodology

#### Data

The lottery revenue estimate is based on data obtained from SABHRS, S&P Global, and the annual Montana Lottery Commission report. Monthly accounting information for the enterprise fund come from SABHRS; forecasts for independent economic variables are produced by S&P Global; interest earnings, daily fund balance and other more detailed information come from the Lottery Commission report.

#### Analysis

Revenue for the enterprise fund comes primarily from a combination of ticket sales, interest earnings, and license sales. Expenditures from the fund cover prizes, commissions, and operation costs. The difference between the forecast revenues and expenditures is the anticipated general fund transfer of lottery profits.

Per capita ticket sales are time trended. Forecast per capita ticket sales are multiplied by Montana population age 18 and older to produce future ticket sales. Interest earnings are calculated by multiplying the S&P Global forecast for short-term interest by the projected average daily balance of the enterprise fund. The projection for the average daily balance is assumed to increase to a historical average of \$6 million. License sales are assumed to be comparable to those in the last known fiscal year.

Prizes and commissions are forecast by applying an average prize-to-ticket sales ratio to the ticket sales forecast. Sports betting revenue and operational costs are based on time trends.

## Consumption Taxes

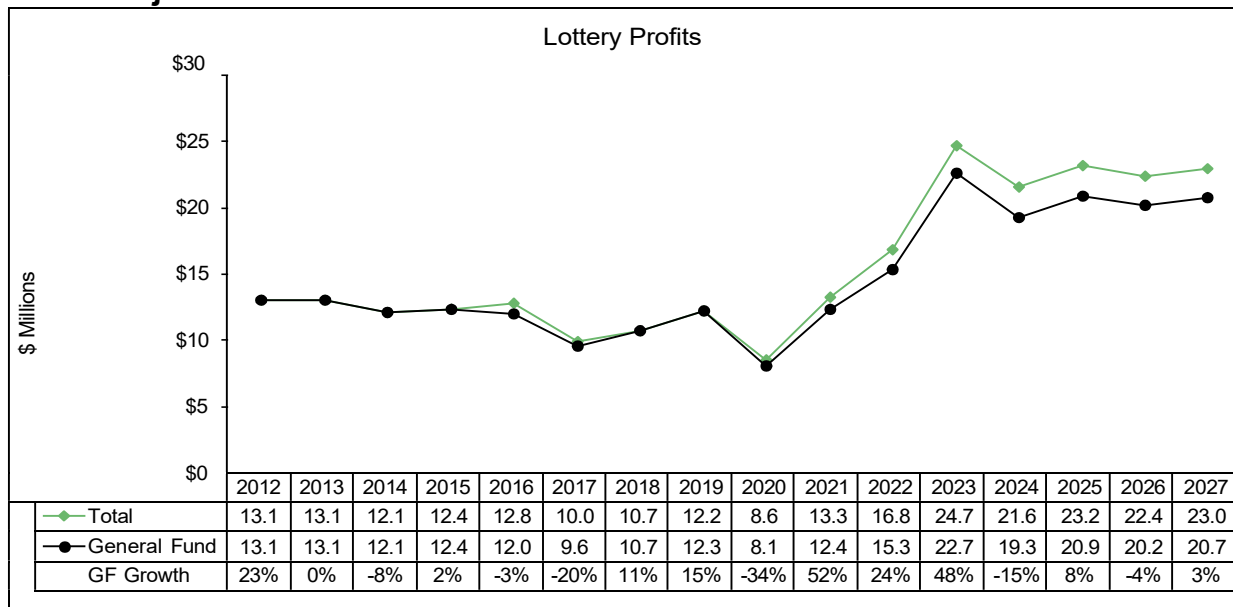
## Lottery Profits

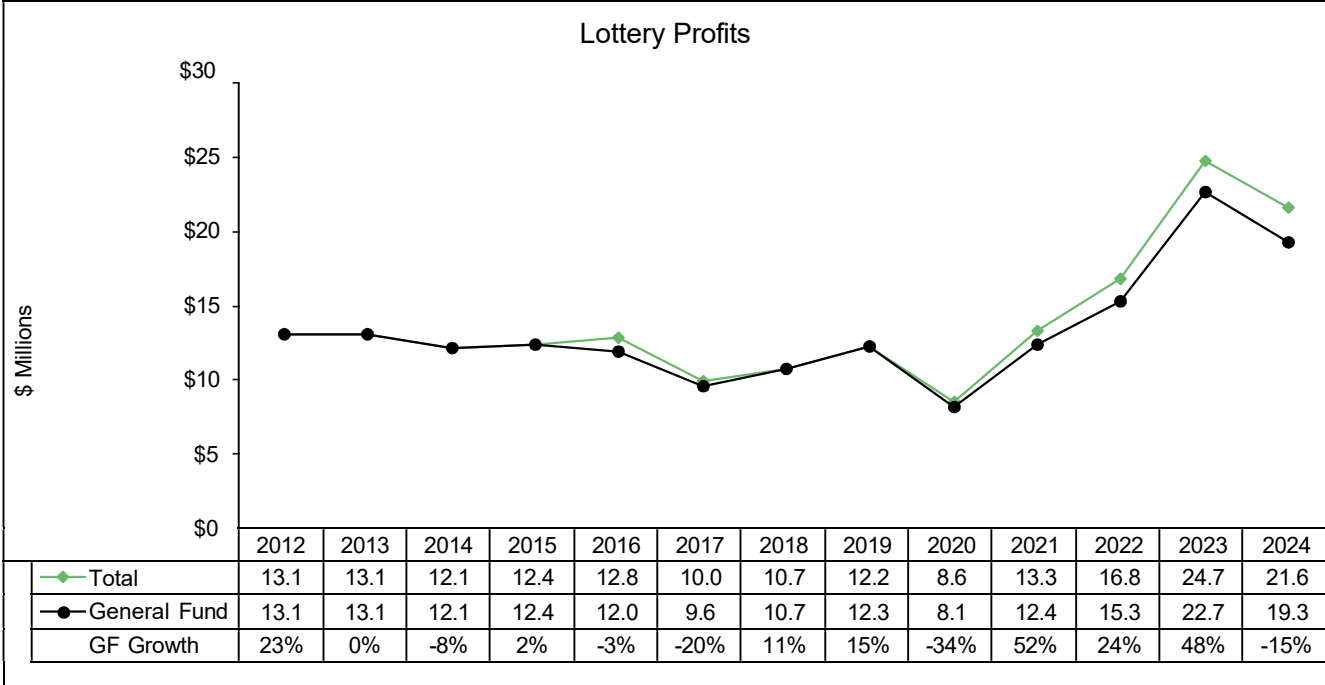
### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

FY	Total Profit \$ Millions	GF Profits \$ Millions	Gross Revenue \$ Millions	Business Costs \$ Millions	Short-Term Interest Percent	MT Pop. >=18 Millions	STEM Scholarships \$ Millions
A 2014	\$12.091	\$12.091	\$53.129	\$41.038	0.1%	0.798	-
A 2015	12.363	12.363	52.383	40.019	0.1%	0.807	-
A 2016	12.845	11.963	59.779	46.934	0.3%	0.816	0.881
A 2017	9.982	9.624	52.507	42.525	0.7%	0.827	0.358
A 2018	10.699	10.699	56.425	45.726	1.5%	0.835	-
A 2019	12.215	12.215	60.310	48.095	2.1%	0.844	-
A 2020	8.573	8.073	59.442	50.869	1.3%	0.856	0.500
A 2021	13.300	12.300	112.450	99.150	0.2%	0.873	1.000
A 2022	16.811	15.311	116.056	99.245	1.1%	0.889	1.500
A 2023	24.694	22.657	147.865	123.171	3.6%	0.900	2.037
A 2024	21.563	19.313	154.170	132.607	5.1%	0.911	2.250
F 2025	23.178	20.928	175.912	152.735	4.9%	0.921	2.250
F 2026	22.402	20.152	188.188	165.786	4.1%	0.931	2.250
F 2027	22.959	20.709	201.640	178.681	3.1%	0.940	2.250
F 2028	23.080	20.830	214.812	191.731	2.6%	0.949	2.250
F 2029	23.024	20.774	227.690	204.666	2.6%	0.957	2.250

### Revenue Projection





## Marijuana Tax

### Revenue Description

A tax of 20% is levied on the retail price of recreational marijuana and a tax of 4% is imposed on the retail price of medical marijuana.

### Statutory Reference

Tax Rate – [15-64-102, MCA](#)

Distribution – [16-12-111, MCA](#)

Date Due – Within 15 days of the end of the quarter

### Applicable Tax Rates

- Recreational Marijuana – 20% of retail price
- Medical Marijuana – 4% of retail price

**Collection Frequency:** Quarterly

### Distribution

Revenue from all marijuana taxes and license fees are first combined and deposited in the marijuana state special revenue account. At the end of each fiscal year, Department of Revenue must use money in the account to cover administration costs and \$6 million is transferred to the HEART account. Any remainder is distributed as outlined below:

- 20% to FWP to be used solely as funding for wildlife habitat.
- 4% to the state park account
- 4% to the trails and recreational facilities account
- 4% to the nongame wildlife account
- 3% or \$200,000, whichever is less, to the veterans and surviving spouses SSR account
- \$150,000 to the board of crime control to fund crisis intervention team training
  - Additional \$300,000 each fiscal year until FY 2027 ([HB 362, 2023 session](#))
- Remainder transferred to the general fund

### Forecasting Risks

- Change in Montana population
- Change in Montana personal consumption patterns
- Changes in medical vs. recreational marijuana users

### Revenue Estimate Methodology

#### Data

The marijuana tax revenue estimate is based off tax collections data obtained from SABHRS and DOR, as well as forecasts for economic variables produced by S&P Global.

#### Analysis

The revenue data from the 2022 fiscal year are used at the base for the revenue estimate through FY 2027. For recreational tax revenue, this data is extrapolated to simulate a whole year buy doubling the actual collections, since recreational cannabis was only legalized halfway through the fiscal year. Then all marijuana taxes and license fees are multiplied by the expected change in CPI and MT population (these data provided by S&P Global).

As tax revenue is collected and more information and data are available on the recreational marijuana program in Montana, the revenue forecast will be expanded in a similar way to include new fiscal years.

## Consumption Taxes

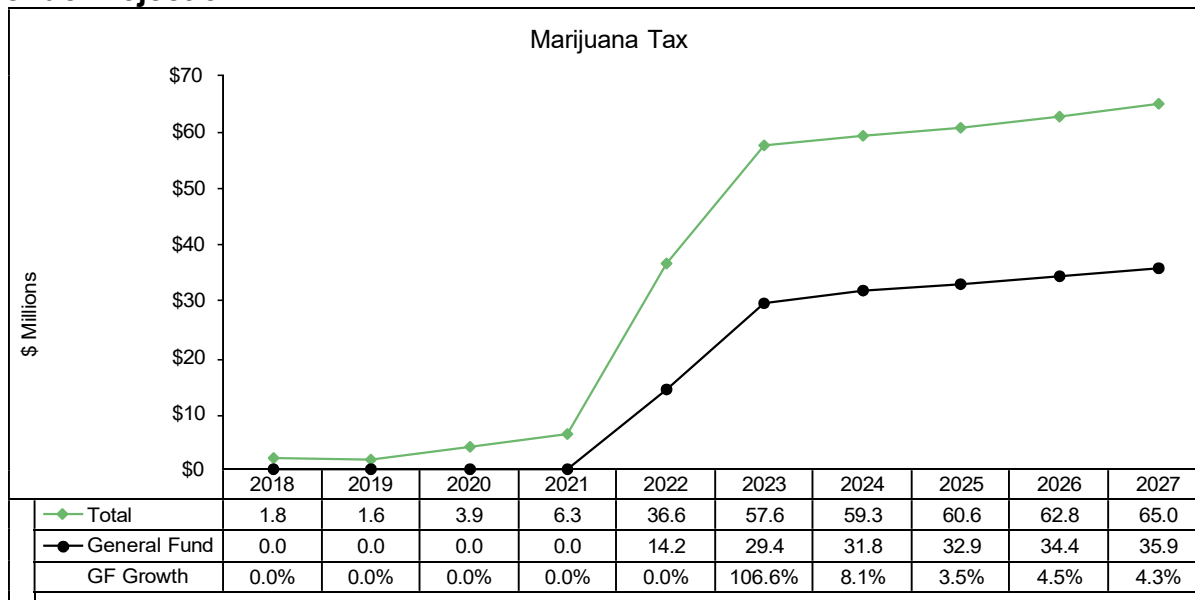
## Marijuana Tax

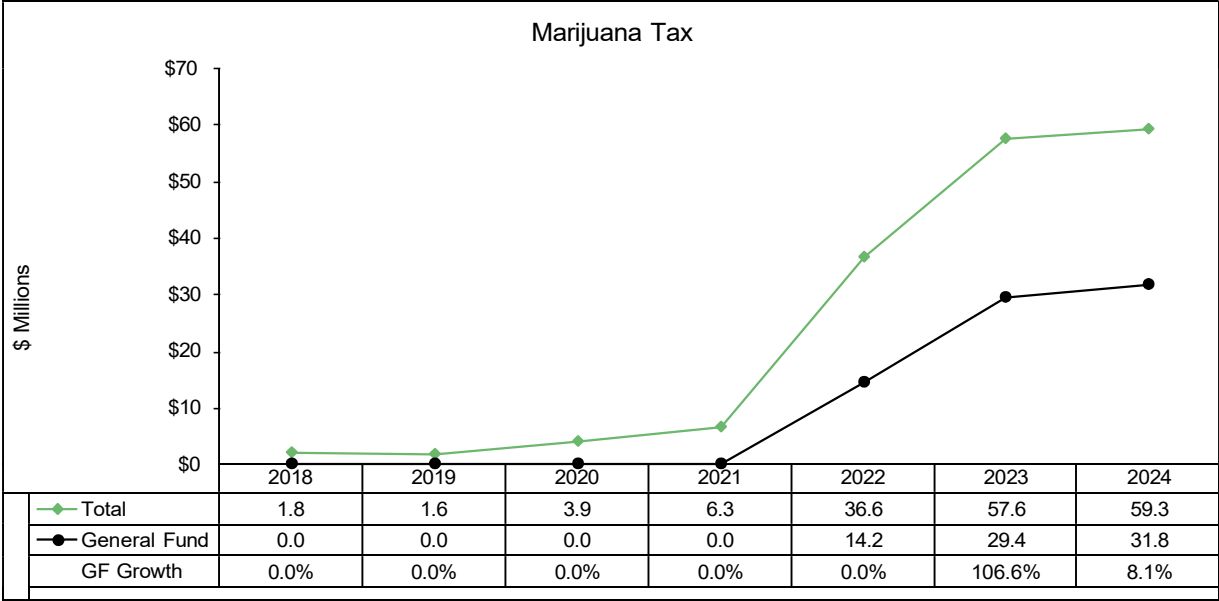
### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

FY	Total Tax \$ Millions	GF Tax \$ Millions	US CPI Growth	MT Population Growth
A 2014				
A 2015				
A 2016				
A 2017			1.1%	0.0%
A 2018			0.8%	0.0%
A 2019			0.9%	0.0%
A 2020			1.1%	0.0%
A 2021			1.7%	0.0%
A 2022	\$36.597	\$14.238	1.4%	0.0%
A 2023	57.572	29.423	0.9%	0.0%
A 2024	59.269	31.804	0.9%	0.0%
F 2025	60.623	32.903	0.9%	5.0%
F 2026	62.795	34.380	0.8%	3.8%
F 2027	64.969	35.858	0.8%	3.1%
F 2028	66.712	37.344	0.7%	2.9%
F 2029	68.721	38.710	0.7%	0.0%

### Revenue Projection





## Tobacco Tax

### Revenue Description

Taxes are levied on all non-cigarette tobacco products sold in Montana. A tax is assessed on the number of ounces of moist snuff sold and on the wholesale value of all other non-cigarette tobacco products sold. Tobacco products shipped from Montana to be sold and consumed elsewhere are not subject to the tax.

### Statutory Reference

Tax Rate – [16-11-111\(7\), MCA](#)

Tax Distribution – [16-11-114\(2\), MCA](#); [16-11-119\(3\), MCA](#)

Date Due – [16-11-111\(8\), MCA](#)

### Applicable Tax Rates

Tobacco products – 50% of the wholesale price

Moist snuff – \$0.85 per ounce

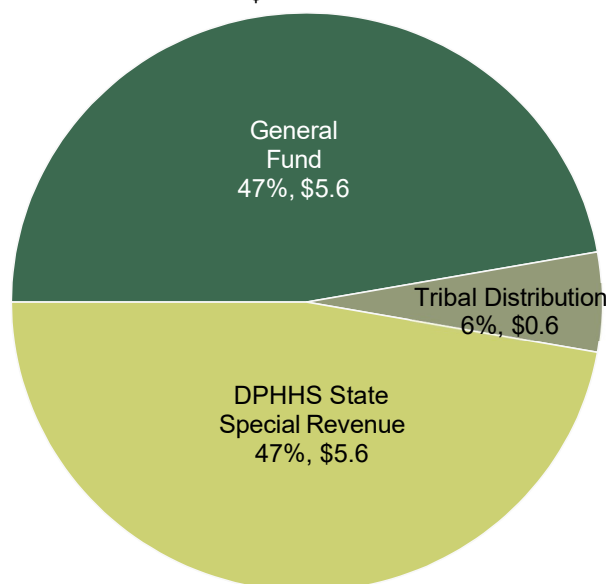
**Collection Frequency:** Monthly

### Distribution

Tobacco tax revenue is first distributed to Blackfeet, Fort Belknap, Rocky Boy, Fort Peck, Northern Cheyenne, and Crow tribes according to intergovernmental agreements between the tribes and DOR. The distribution formula is as follows:  $(1.5) \times (\text{Montana per capita tobacco product consumption}) \times (\text{enrolled tribal population}) \times (\text{tax rate})$ .

Following the distribution to the tribes the remaining tobacco tax revenue is split evenly between the general fund and the Department of Public Health and Human Services (DPHHS) Health and Medicaid Initiatives state special revenue fund. The following chart shows the FY 2024 distribution of tobacco tax revenue.

FY 2024 Tobacco Tax Distribution  
\$ Millions





**Forecast Risks**

- Changing Montana population
- Value of Montana retail sales

**Revenue Estimate Methodology**Data

The tobacco tax estimate is based on data obtained from DOR, SABHRS, and S&P Global. Details on tax collections by month, distributor, product type, and tribal distributions are provided by DOR; fiscal year tax collections are from SABHRS; forecasts for independent economic variables are produced by S&P Global.

Analysis

Per capita snuff and other tobacco products are separately modeled on Montana population age 18 and older and Montana personal consumption expenditures (PCE). The per capita forecasts are multiplied by Montana population age 18 and older to produce individual forecasts for snuff and other tobacco products. After applying the appropriate tax rate to each value to determine gross taxes, forecasts for credits and discounts are subtracted to find the net revenue. Credits and discounts are assumed to remain at the same percentage of total tobacco taxes as the most recent completed year.

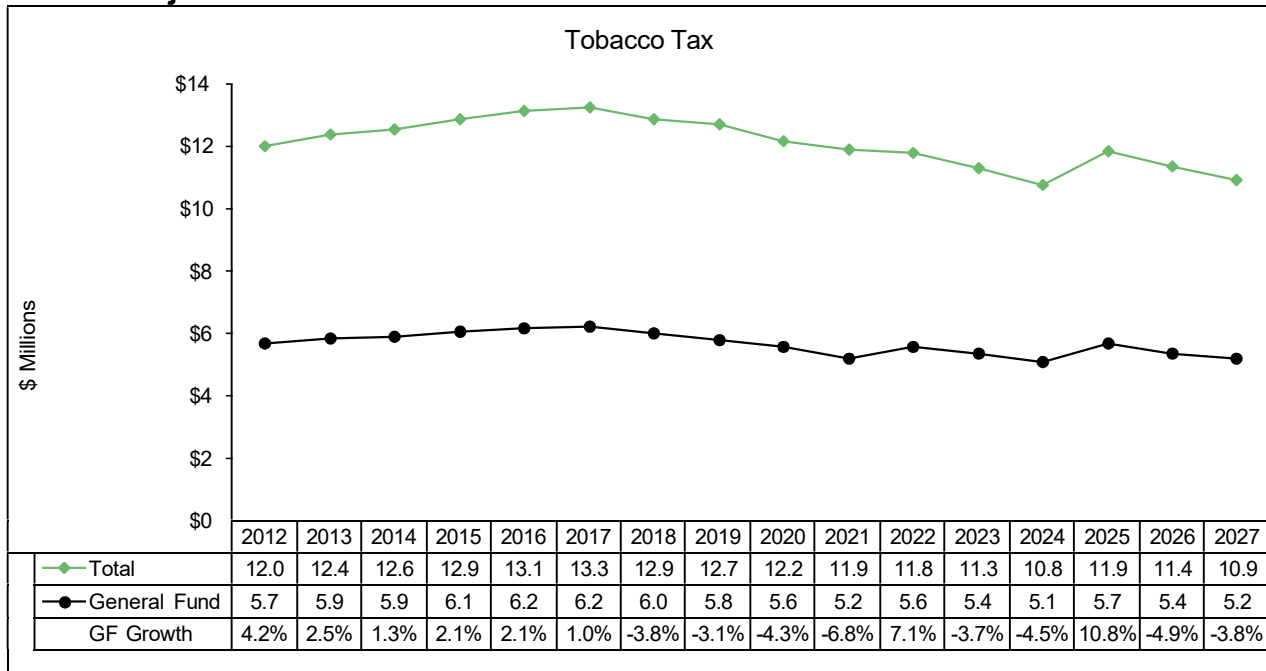
**Revenue Estimate Assumptions**

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

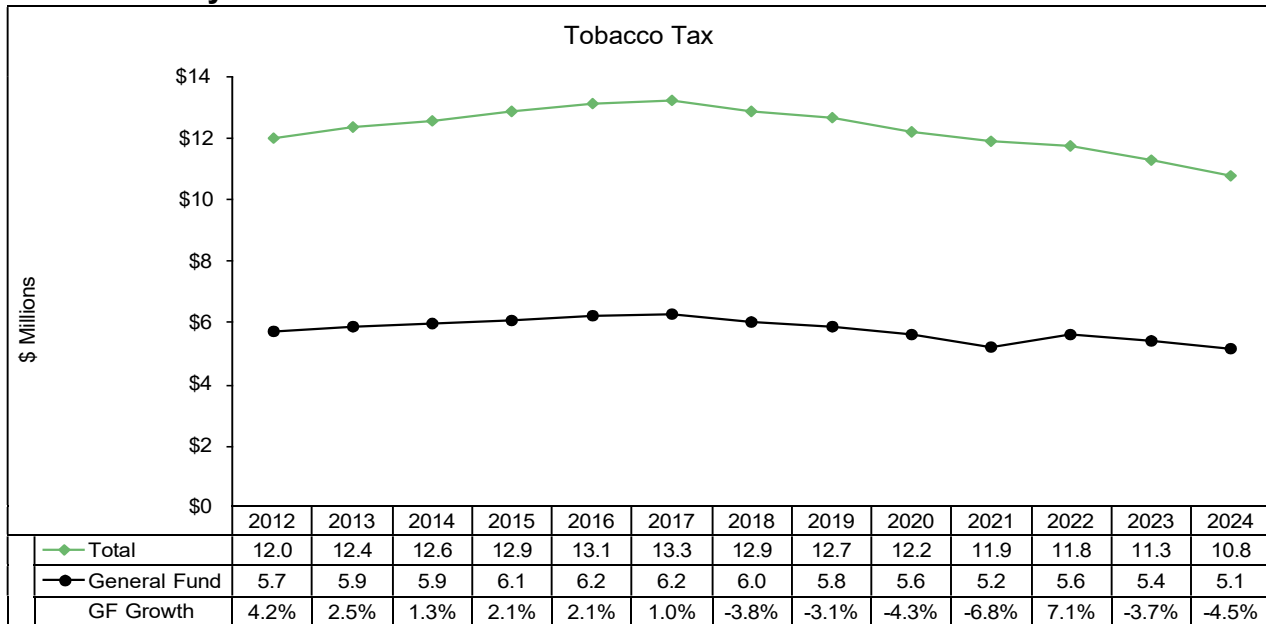
FY	Total Tax \$ Millions	GF Tax \$ Millions	Moist Snuff Sales \$ Millions	Value Other Products \$ Millions	Business Costs \$ Millions	Montana Pop >= 18 Millions	Montana PCE \$ Millions
A 2014	\$12.563	\$5.929	\$11.512	\$6.359	\$0.163	0.798	\$56,455.85
A 2015	12.894	6.056	11.899	6.423	0.191	0.807	60,911.76
A 2016	13.131	6.184	12.267	6.260	0.172	0.816	63,921.08
A 2017	13.269	6.247	12.270	6.300	0.137	0.827	66,816.92
A 2018	12.865	6.058	11.946	6.024	0.243	0.835	70,047.45
A 2019	12.702	5.869	11.538	6.094	0.211	0.844	73,265.53
A 2020	12.196	5.754	11.358	6.072	0.145	0.856	76,591.66
A 2021	11.890	5.611	11.199	6.046	0.236	0.873	80,258.04
A 2022	11.779	5.565	10.830	6.309	0.252	0.889	83,928.25
A 2023	11.316	5.358	10.229	6.327	0.178	0.900	87,780.04
A 2024	10.800	5.114	8.766	4.916	0.164	0.911	91,766.95
F 2025	11.879	5.665	9.356	6.005	0.214	0.921	96,007.35
F 2026	11.378	5.390	8.887	5.880	0.195	0.931	100,463.99
F 2027	10.943	5.187	8.507	5.726	0.182	0.940	105,091.81
F 2028	10.553	5.005	8.180	5.564	0.174	0.949	109,639.10
F 2029	10.145	4.813	7.841	5.388	0.140	0.957	114,258.70

## Consumption Taxes Revenue Projection

## Tobacco Tax



## Revenue History



## Video Gambling Tax

### Revenue Description

Video gambling income is derived from two sources: license fees and video gambling taxes. There are three types of license fees: fees paid by operators for video gambling machines, fees paid by operators for non-video games such as poker, and annual fees for the right to assemble, produce, or manufacture video gambling machines or associated equipment. The video gambling tax is paid by licensed video gambling machine operators. License holders are charged a tax of 15% of the gross income (defined as net of payouts) from each licensed video gambling machine. The Department of Justice (DOJ) issues video gambling licenses and permits and collects the fees and taxes.

### Statutory Reference

Tax Rate – Route operator license: [23-5-129, MCA](#); gambling establishment operator license: [23-5-177, MCA](#); card table fee: [23-5-306\(2\), MCA](#); bingo/keno permit: [23-5-407, MCA](#); sports tab tax: [23-5-502, MCA](#); video tax: [23-5-610\(1\), MCA](#); machine permit fee: [23-5-612\(2\), MCA](#)

Tax Distribution – Card table fee: [23-5-306\(3&4\), MCA](#); bingo and keno tax: [23-5-409, MCA](#); sports tab tax: [23-5-502, MCA](#); video: [23-5-610\(6\), MCA](#); machine permit fee: [23-5-612\(3\), MCA](#)

Date Due – Card table fees due annually and distributed quarterly to local governments: [23-5-306\(1&4\), MCA](#); video tax due 15 and 25 days after the end of the quarter: [23-5-610\(5\), MCA](#); machine permit fees due annually prorated on a quarterly basis: [23-5-612\(2a\), MCA](#); bingo and keno taxes due July 31.

### Applicable Tax Rates

#### License Fees

- Video gambling machine permit – \$220 annually
- Video gambling manufacturer license – \$1,000 annually
- Video gambling machine examination fee – Actual DOJ costs of examining the electronic equipment
- Distributor license – \$1,000 annually
- Route operator license – \$1,000 annually
- Bingo/keno manufacture license – \$1,000 annually
- Gambling establishment operator license – Actual DOJ costs of determining licensure qualifications
- Antique slot machine seller permit – \$50 annually
- Live card game table – \$250 annually for the first table and \$500 for each additional table
- Card game dealer license – \$75 for the first year, \$25 for each subsequent year
- Pinochle tournament permit – \$25
- Card room contractor license – \$150 annually
- Bingo/keno permit – \$250 annually
- Bingo/keno examination fee – Actual DOJ costs of examining the electronic equipment
- Sports tab game seller license – \$100 annually
- Casino night permit – \$25
- Associated business – \$100

#### Gambling Taxes

- Video – 15% of gross income (defined as net of payouts) per video gambling machine
- Bingo/keno – 1% of gross proceeds
- Sport tabs – \$1.00 for each 100 sport tabs sold

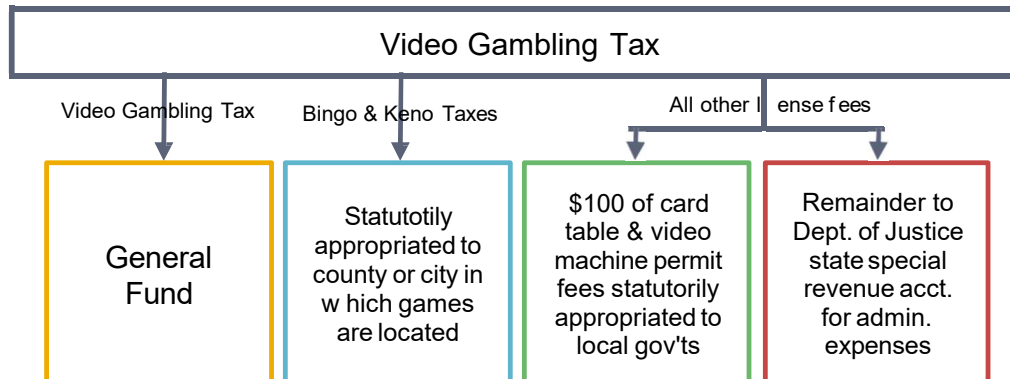
**Collection Frequency:** Video tax – quarterly, machine permit fees – quarterly, other fees – annually

**Distribution**License Fees

- \$100 of the live card game table fee and \$100 of the video gambling machine permit fee (prorated basis) are statutorily appropriated for distribution to local governments.
- All other license fee revenue is retained by DOJ to cover administrative costs.

Gambling Taxes

- Video – All of video gambling tax receipts are deposited into the general fund.
- Bingo/Keno – All collections are statutorily appropriated for distribution to the municipality or county in which the game is located.
- Sport Tabs – All collections are retained by DOJ for administration purposes.

**Forecast Risks**

- Personal income changes
- Population changes
- Potential impact due to legalization of sports betting

**Revenue Estimate Methodology**

The components of video gambling revenue have separate distributions, so each component is estimated separately.

Data

DOJ provides data upon request and limited applicable data is available from the department's website. Historic and current revenue collections are obtained from SABHRS. S&P Global forecasts of Montana population coupled with a moving-average modeled growth rate are used to forecast the video tax collections.

Analysis

Revenue from the tax on video gambling machine gross income (defined as net of payouts) is the largest component of this revenue source and all revenue from this tax is distributed to the general fund. To determine total gross income, gross income for poker, keno, and multiple-game machines are calculated from revenue collections. The amount from the most recently completed fiscal year and subsequent estimates for succeeding fiscal years are adjusted based on prior years' collections.

Permit and license fees are the second component to this revenue source, the revenue from which is deposited to the state special revenue fund and distributed to the DOJ to pay administrative costs and to local governments. There are three separate estimates for permit and license fees.

- Video gambling manufacturing license – The number of licenses are estimated using a linear regression model that uses the prior fiscal year's license amount as the predictor variable.

## Consumption Taxes

## Video Gambling Tax

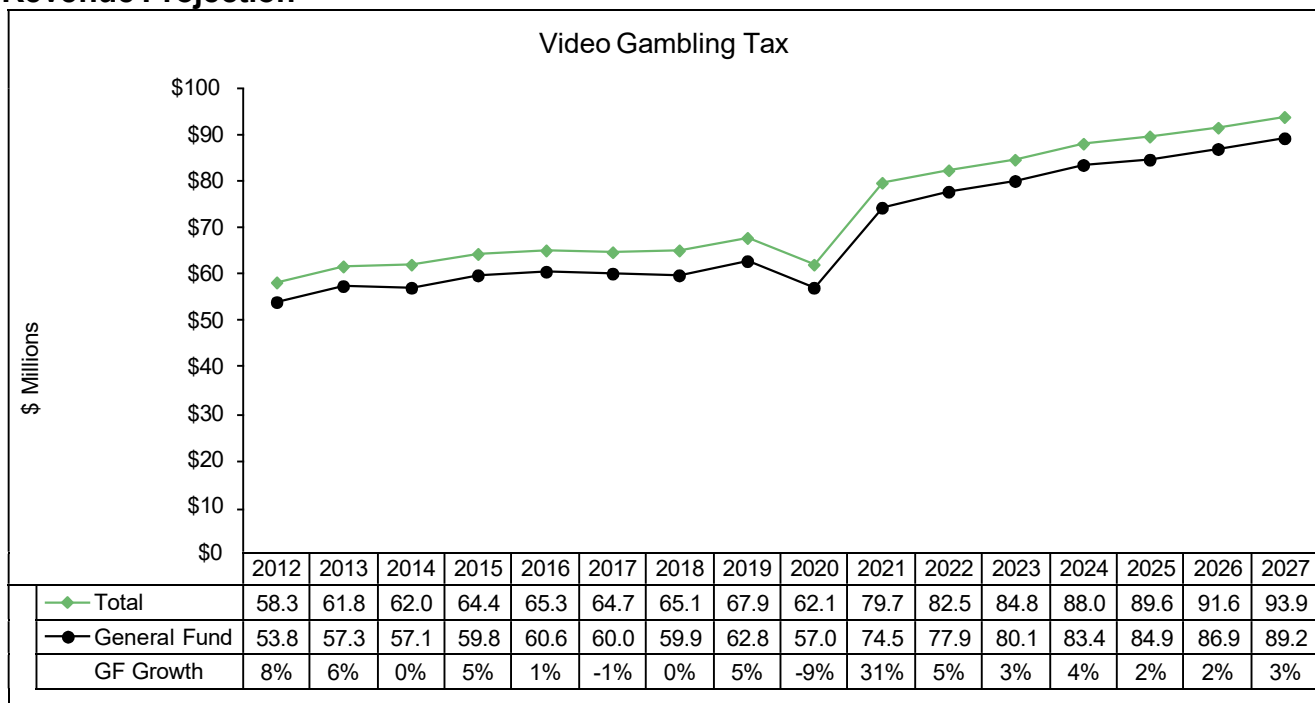
- Live game permit/license fees – The amount of “first” poker tables, “additional” poker tables, bingo/keno, and card dealers are estimated using the most recently completed fiscal years.
- Video gambling machine permit fees – The number of video, bingo/multi game, and keno machine permits is estimated using a five-year moving average.

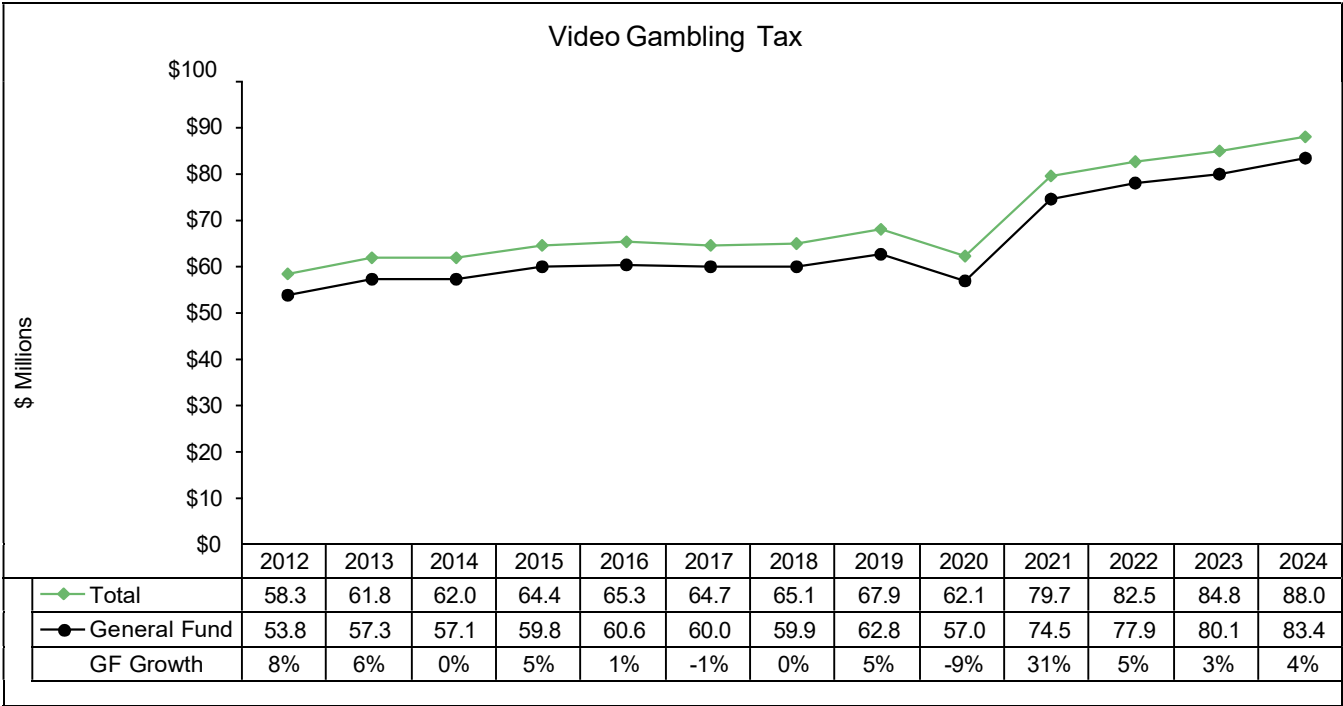
## Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Non GF Fee \$ Millions
A 2014	\$62.009	\$57.147	\$4.854
A 2015	64.405	59.799	4.599
A 2016	65.310	60.554	4.751
A 2017	64.730	59.956	4.768
A 2018	65.077	60.324	4.740
A 2019	67.867	63.228	4.628
A 2020	62.113	57.447	4.659
A 2021	79.669	74.917	4.747
A 2022	82.513	77.881	4.625
A 2023	84.764	80.105	4.654
A 2024	88.040	83.385	4.650
F 2025	89.578	84.897	4.681
F 2026	91.578	86.903	4.674
F 2027	93.863	89.186	4.677
F 2028	96.260	91.592	4.668
F 2029	98.724	94.054	4.671

## Revenue Projection





Wine Tax

Revenue Description

A tax is levied on table wines and hard ciders imported into Montana by wine distributors or by DOR, as a liquor wholesaler.

Statutory Reference

Tax Rate – [16-1-411\(1\), MCA](#); [16-2-301\(2\), MCA](#)

Tax Distribution – [16-1-411\(3\), MCA](#); [16-2-301\(2\), MCA](#)

Date Due – 15<sup>th</sup> day of the month following the sale from the distributor’s warehouse ([16-1-411\(2\), MCA](#))

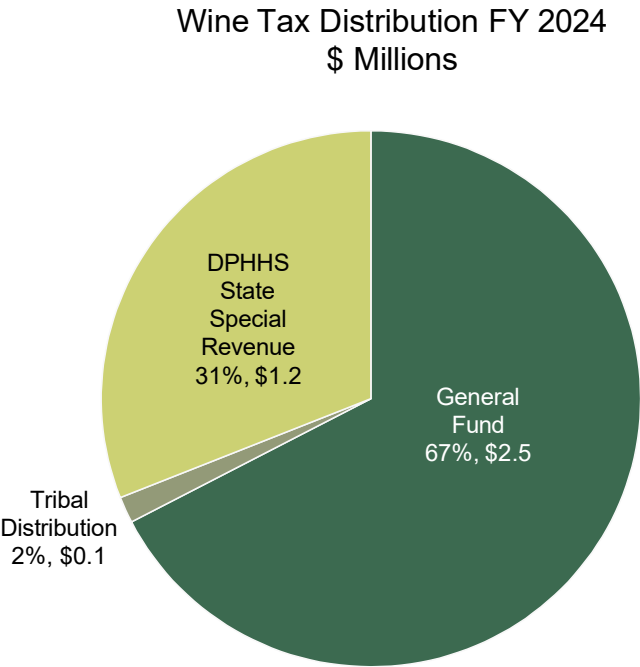
Applicable Tax Rates

- \$0.27 per liter of wine
- \$0.28 per liter of wine sold to agency liquor stores
- \$0.037 per liter of hard cider

Collection Frequency: Monthly

Distribution

Wine tax revenue is distributed between the general fund, the Department of Public Health and Human Services (DPHHS) state special revenue alcohol account, and tribal governments according to intergovernmental agreements between DOR and the tribes. The wine tax revenues distributed to Blackfeet, Fort Belknap, Fort Peck, and Confederated Salish and Kootenai tribes come out of the general fund portion of the revenue and are distributed according to the following formula: (per capita wine consumption) x (tribal membership) x (Montana tax rate). The remaining 31% of revenue goes to DPHHS to be used for treatment, rehabilitation, and prevention of alcohol and chemical dependency. The following chart shows the FY 2024 distribution of wine tax revenue.



**Forecast Risks**

- Changing Montana population
- Rate of change in effective tax rate

**Revenue Estimate Methodology**Data

The wine tax estimate is based on data obtained from DOR, SABHRS, and S&P Global. Details on historic tribal distributions are provided by DOR; fiscal year tax collections are from SABHRS; forecasts for independent economic variables are produced by S&P Global.

Analysis

Per capita consumption is modeled on Montana population age 18 and older and the prior year's actual consumption. Forecast per capita consumption is multiplied by forecast population to obtain an estimate of future total consumption. Total tax collections are calculated by multiplying the number of liters sold in a given year by the effective tax rate in that year. This analysis assumes that the effective tax rate remains the same as the last known fiscal year.

**Revenue Estimate Assumptions**

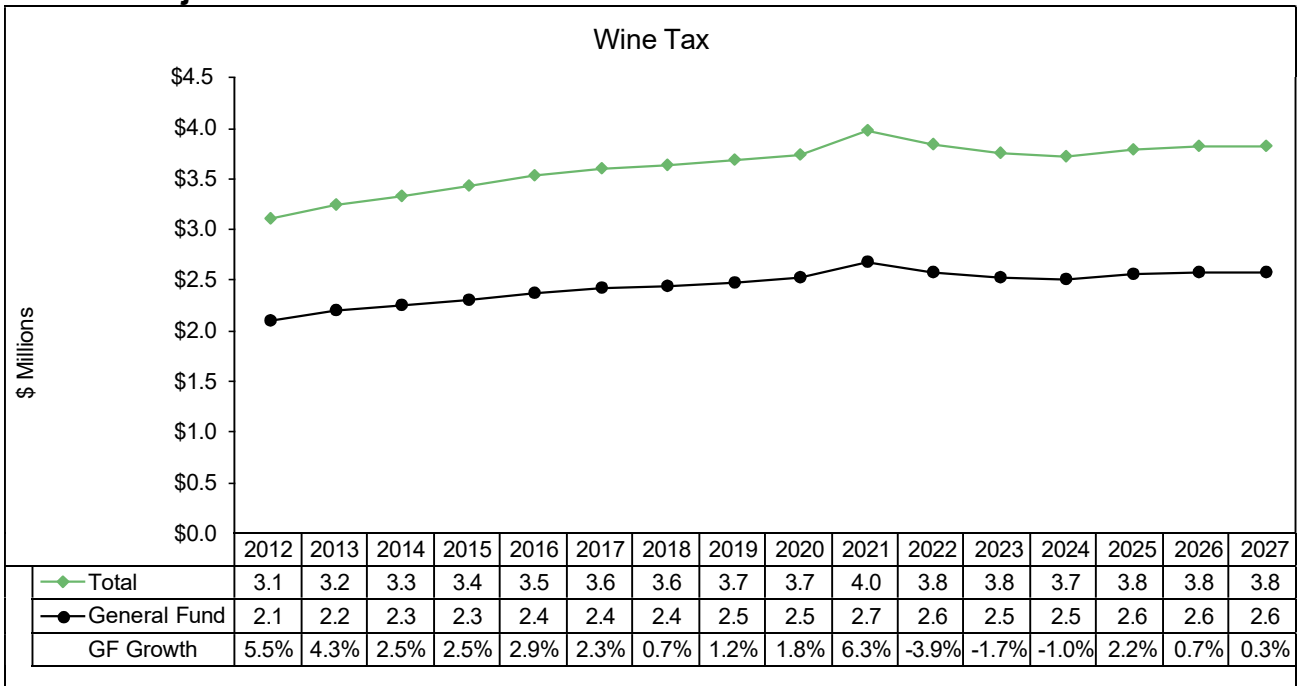
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Effective Tax Rate	Approximate Liters Sold Millions	Montana Pop >= 21 Millions
A 2014	\$3.327	\$2.250	24.9%	13.337	0.758
A 2015	3.430	2.307	24.6%	13.970	0.766
A 2016	3.527	2.373	25.0%	14.136	0.776
A 2017	3.610	2.429	25.2%	14.338	0.786
A 2018	3.635	2.446	25.0%	14.534	0.795
A 2019	3.681	2.478	24.9%	14.804	0.804
A 2020	3.743	2.522	24.8%	15.073	0.815
A 2021	3.981	2.679	24.8%	16.064	0.831
A 2022	3.834	2.573	24.7%	15.524	0.846
A 2023	3.763	2.528	24.7%	15.254	0.856
A 2024	3.715	2.504	24.4%	15.237	0.867
F 2025	3.790	2.558	24.6%	15.402	0.877
F 2026	3.815	2.575	24.5%	15.550	0.887
F 2027	3.826	2.582	24.4%	15.681	0.896
F 2028	3.839	2.591	24.3%	15.794	0.905
F 2029	3.854	2.602	24.3%	15.888	0.913

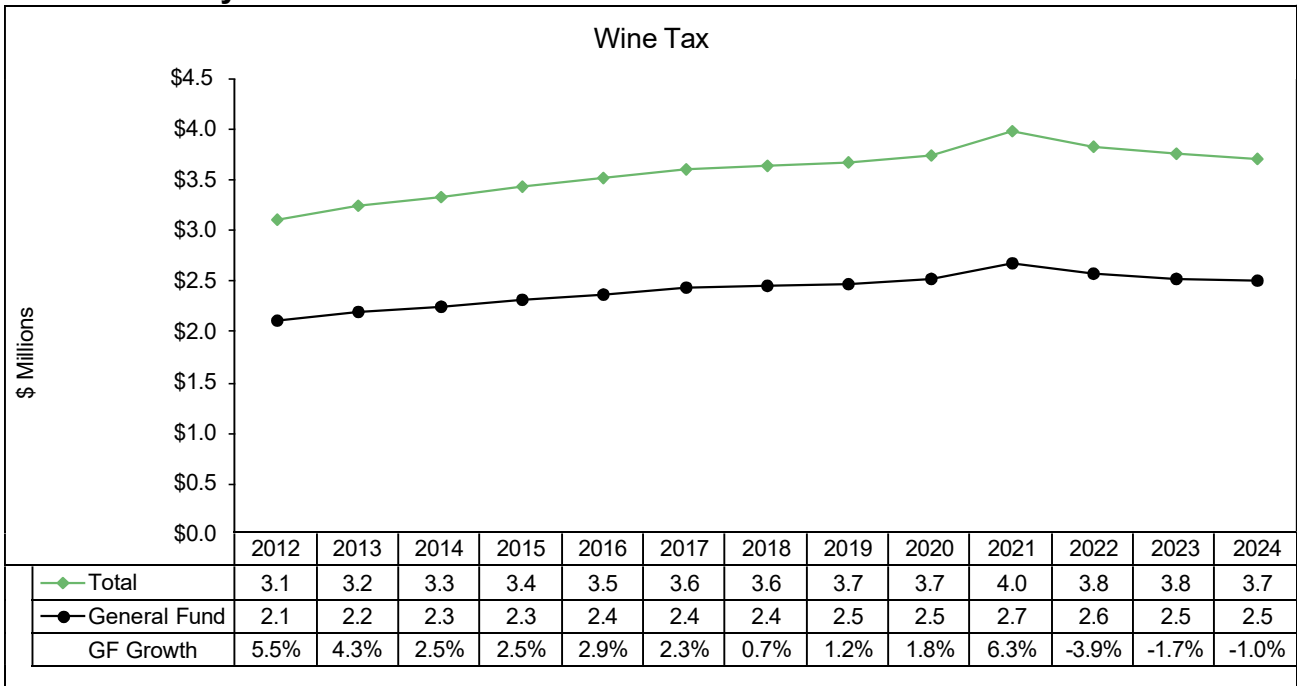


## Consumption Taxes Revenue Projection

## Wine Tax



## Revenue History



# PROPERTY TAXES



Property Tax Overview  
55 Mill Property Tax  
40 Mill Property Tax  
6 Mill Property Tax  
1.5 Mill Property Tax



## Property Tax and Non-Levy Revenue

### Revenue Description

Montana law requires counties to levy a county equalization levy of 55 mills, a state equalization levy of 40 mills (often referred to together as the 95 mills) for K-12 schools, and 6 mills for the university system against all taxable value in each county. A mill levy of 1.5 mills is also applied against all property in the five counties with a vo-tech college. Taxable value is the market value of statutorily defined property multiplied by a statutory tax rate. As of fiscal year 2024, all levy revenue from the 95 mills is deposited into a state special revenue account, rather than the general fund.

In addition to the tax on property, this revenue component includes collections from "non-levy" sources that are distributed based on mills levied by taxing jurisdictions. These non-levy sources include the state share of coal gross proceeds taxes, federal forest revenues, and other smaller revenue sources.

This source also includes the state's share of protested taxes paid by centrally assessed companies. Fifty percent of taxes paid under protest by centrally assessed firms are deposited in the general fund and the rest are deposited in a state special account until the protests are resolved. Should the state fail in its defense of the taxation of these companies, the protested taxes must be returned to the taxpayer. If the state prevails in the case, the money in the special revenue account is transferred to the general fund.

### Non-Levy Revenue

This source includes federal forest receipts, coal gross proceeds revenue, and other revenue which is distributed to statewide and local mills in each county. The mills to which non-levy revenue is distributed are unique for each county and each non-levy revenue source. The state's portion of non-levy revenue is remitted to the state as a portion of the appropriate property tax.

### Federal Forest Receipts

#### Revenue Description

Federal forest receipts are payments from the federal government in lieu of revenues from the sale of forest products of federal land. The federal government authorizes logging operations on forest lands located within the borders of Montana. The sale of timber generates revenue that the federal government shares with the state in the following year. The state sends the money to the county treasurer of the county in which the receipts were generated. Within thirty days, the county treasurer distributes the money to various county and state accounts.

#### Statutory References

Distribution – [17-3-211, MCA](#); [17-3-212, MCA](#)

Date Due – The state treasurer distributes the funds within 30 days after receiving full payment

#### Distribution

The county treasurer apportions federal forest receipts in the following manner. Not more than 20% and not less than 15% is distributed to county government for special projects on federal land. Of the remainder:

- 66 2/3% goes to the road fund of the county
- 33 1/3% goes to the following countywide accounts, based on the mill ratios of each to total mills in the prior year: county equalization accounts (55 mills), county transportation account, county retirement accounts

### Coal Gross Proceeds Tax

#### Revenue Description

The state imposes a gross proceeds tax of 5.0% on the gross value of coal produced by all the coal mines in the state. The gross value of coal is computed as the tonnage of coal produced and sold times the contract sales price. The tax on the gross proceeds for coal is estimated in conjunction with the coal

## **Property Tax**

## **Property Tax**

severance tax. Of the total gross proceeds revenue, a state share is distributed to the elementary and high school county equalization levies as they existed in FY 1990.

### **Statutory References**

Tax Rate – [15-23-703\(1\), MCA](#)

Tax Distribution – [15-23-703\(3\), MCA](#)

### **Applicable Tax Rates**

The amount of tax due is 5.0% of the value of production as measured by the contract sales price for production in the preceding calendar year. There are some exceptions, such as new underground mines which are taxed at 2.5% for the first 10 years, as well as certain county-granted tax abatements.

### **Distribution**

The county treasurer distributes the coal gross proceeds tax based on the relative proportions of mill levies for the state, counties, and school districts as these existed in FY 1990. However, coal gross proceeds from mines started after 1988 are distributed across mill levies in the same fashion as property taxes were distributed in the previous fiscal year.

### Other Revenue

The county equalization account receives other revenue in addition to the types listed elsewhere. These include penalties and interest, back taxes, investment earnings, recreational fees, tax title and property sales, various state grants and fees, district court fines, county rents and lease income, and various revenue from federal sources such as PILT, Taylor Grazing, and Bankhead Jones.

### **Forecast Risks**

- Property tax class growth rates
- Tax Increment Financing (TIF) property values
- Abated property values
- Non-levy revenue

### **Revenue Estimate Methodology**

#### Data

The data required to produce forecasts of property tax received by the state are historical data on assessed and taxable value by class of property, the amount of property in tax increment financing (TIF) districts, the amount of local abatements conferred by local governments, and future growth rates for these variables. Also required are historical and estimated data on the non-levy components of property tax. These are gross proceeds revenue, federal forest revenue, and miscellaneous revenue allocated to the various state mill levies. The historical data on assessed and taxable value by property tax class, TIF taxable value, and abated taxable value are provided to the LFD and OBPP by DOR on an annual basis.

The TIF taxable value is required because state law allows a TIF district to apply the state 95 mills and 1.5 vo-tech mills to the increment in property value that occurred since the TIF was created, but allows the TIF district to keep the revenue associated with these mill levies. Thus, the taxable value of the state must be adjusted downward by the increment value of TIF property for the 95 mills and the 1.5-mill levy. The 6-mill levy revenue derived from incremental TIF property does flow to the state special account for university operations, and thus the tax base for the 6-mill levy is not adjusted for the incremental taxable value in a TIF.

Montana law allows local governments (usually counties) to temporarily reduce the tax rate applied to the assessed value of property. This is called abated property. For instance, in tax year 2010, an electrical generation plant outside Hardin and another in Silver Bow County were granted a 10-year exemption on all personal and real estate property. The abatement applies to all local mills for those jurisdictions in which the properties are located. However, the tax rate reduction and the resulting partial exemption from property taxes does not apply to state mills. For the first time in tax year 2010, abated taxable values were available by class of property and were added back to each class of taxable value

## Property Tax

## Property Tax

to form the tax base for the state mills. Previously these values had been added back without respect to class of property.

Assessed and taxable values are measured on January 1 of the tax year. The taxes are due to the state in the following November and May, i.e. in the fiscal year following the calendar year in which the values are measured. Coal gross proceeds are due to the state in the fiscal year two years after the calendar year in which the coal was produced. Federal forest receipts are received by the federal government in December of each year, and miscellaneous non-levy revenue (primarily interest) is deposited as earned.

### Analysis

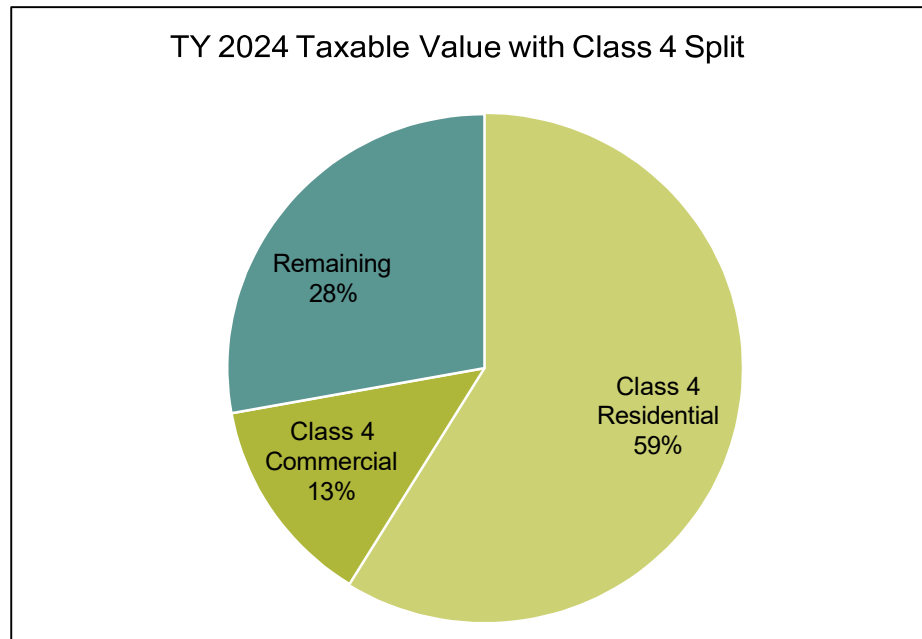
The latest year for which taxable value by class is available is the base from which future taxable values are derived. Growth rates are applied to the taxable value in each class of property. For the most part, growth rates are based on historical growth and on expected changes in tax rates in upcoming fiscal years. The table below shows growth rates for each class of property, for TIF and the resulting growth rates in net taxable value. Rates reflect both reappraisal and assumed growth rates for classes 3, 4, and 10.

Statewide Taxable Value by Fiscal Year						
Class of Property	Taxable Value (\$ Millions)			Growth Rates		
	2025	2026	2027	2025	2026	2027
1 Mine Net Proceeds	\$5.621	\$5.762	\$5.446	37.0%	2.5%	-5.5%
2 Gross Proceeds Metal Mines	47.470	30.489	28.816	-21.8%	14.7%	-5.5%
3 Ag Land	153.099	161.351	162.964	0.0%	5.4%	1.0%
4 Residential and Commercial Real Estate	3,424.878	4,104.848	4,134.309	0.4%	19.9%	0.7%
5 Pollution Control Equipment	57.705	59.593	61.543	0.8%	3.3%	3.3%
7 Non Centrally Assessed Utilities	0.018	0.017	0.015	-8.5%	-8.5%	-8.5%
8 Business Personal Property	209.398	231.307	238.241	-2.3%	10.5%	3.0%
9 Electrical Utilities	615.404	637.794	660.999	3.3%	3.6%	3.6%
10 Forest Land	4.764	4.764	4.764	0.1%	0.0%	0.0%
12 Railroads and Airlines	87.057	87.634	88.326	-5.1%	0.7%	0.8%
13 Telecomm and Electric Generation	129.914	126.486	123.148	1.5%	-2.6%	-2.6%
14 Wind Generation	37.230	38.719	38.719	-5.4%	4.0%	0.0%
15 C02/Qualifying Liquid Pipeline	2.775	2.775	2.775	-5.1%	0.0%	0.0%
17 Data Centers	0.561	0.561	0.561	-28.5%	0.0%	0.0%
Total Taxable Value	4,775.894	5,492.100	5,550.626	5.1%	15.5%	1.1%
Tax Increment Financing Values	100.524	101.462	109.055	0.7%	0.9%	7.5%
Net Taxable Value	\$4,675.370	\$5,390.638	\$5,441.572	0.4%	15.8%	0.9%
Net Vo-tech Taxable Value	1,433.540	1,655.758	1,673.402	0.4%	15.5%	1.1%
Net 6-Mill Taxable Value	\$4,755.008	\$5,492.100	\$5,550.626	0.4%	15.5%	1.1%
FY 2025 taxable values are tax year 2024 taxable values. The property was valued on January 1, 2024, and the revenue from these values is collected by the state in November and May of the following fiscal year. FY 2024 values are known, although subject to revision.						

The figure below shows the tax rates for all classes of property.

Tax Rates and Exemptions by Property Tax Class			
Class of Property	Tax Rates		
	2025	2026	2027
Mine Net Proceeds	100.00%	100.00%	100.00%
Gross Proceeds Metal Mines	3.00%	3.00%	3.00%
Ag Land	2.16%	2.16%	2.16%
Residential Real Estate	1.35%	1.35%	1.35%
Commercial Real Estate*	1.89%	1.89%	1.89%
Pollution Control Equipment	3.00%	3.00%	3.00%
Non Centrally Assessed Utilities	8.00%	8.00%	8.00%
Business Personal Property, above threshold	3.00%	3.00%	3.00%
Business Personal Property, below threshold	1.50%	1.50%	1.50%
Electrical Utilities	12.00%	12.00%	12.00%
Forest Land	0.37%	0.37%	0.37%
Railroads and Airlines**	2.77%	2.77%	2.77%
Telecomm and Electric Generation	6.00%	6.00%	6.00%
Wind Generation	3.00%	3.00%	3.00%
C02/Qualifying Liquid Pipeline	3.00%	3.00%	3.00%
Data Centers	0.90%	0.90%	0.90%
*Effective Tax Rate; Actual Rate is 1.35% multiplied by 1.4			
**Estimated Rate: This rate is calculated annually			

Class 4 is by far the largest property tax class, representing 59% of taxable value in FY 2024.



The following table shows a breakout of non-levy revenue as well as protested taxes by the 95 and 1.5 mills as well as the 6-mill university account.

**Property Tax****Property Tax**

Property Tax Revenue in General Fund, SEPTR Account, and University Account (\$ Millions)			
Revenue Type	2025	2026	2027
95 Mill Revenue	\$437.332	\$507.122	\$511.797
1.5 Mill Revenue	<u>1.679</u>	<u>2.027</u>	<u>2.052</u>
Mill Property Tax in the General Fund	1.679	2.027	2.052
Non-Levy - Coal Gross Proceeds	11.474	9.517	8.752
Non-Levy - Federal Forest Receipts	4.682	4.802	4.958
Non-Levy - Miscellaneous Revenue	0.500	0.500	0.500
Protested Taxes	0.895	0.925	0.943
Property Taxes - 95 Mills and 1.5 Mills	\$456.562	\$524.893	\$529.002
95-Mill Property Tax Revenue - SEPTR Account	\$ 437.332	\$ 507.122	\$ 511.797
6-Mill Property Tax Revenue - University Account	\$28.974	\$32.713	\$32.941
Nonlevy Revenue Associated with 6-Mills	1.017	1.440	1.530
Protested Taxes in Protest account	0.001	0.001	(0.068)
Property Taxes in University Account	29.992	34.154	34.403

**Revenue Estimate Assumptions**

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

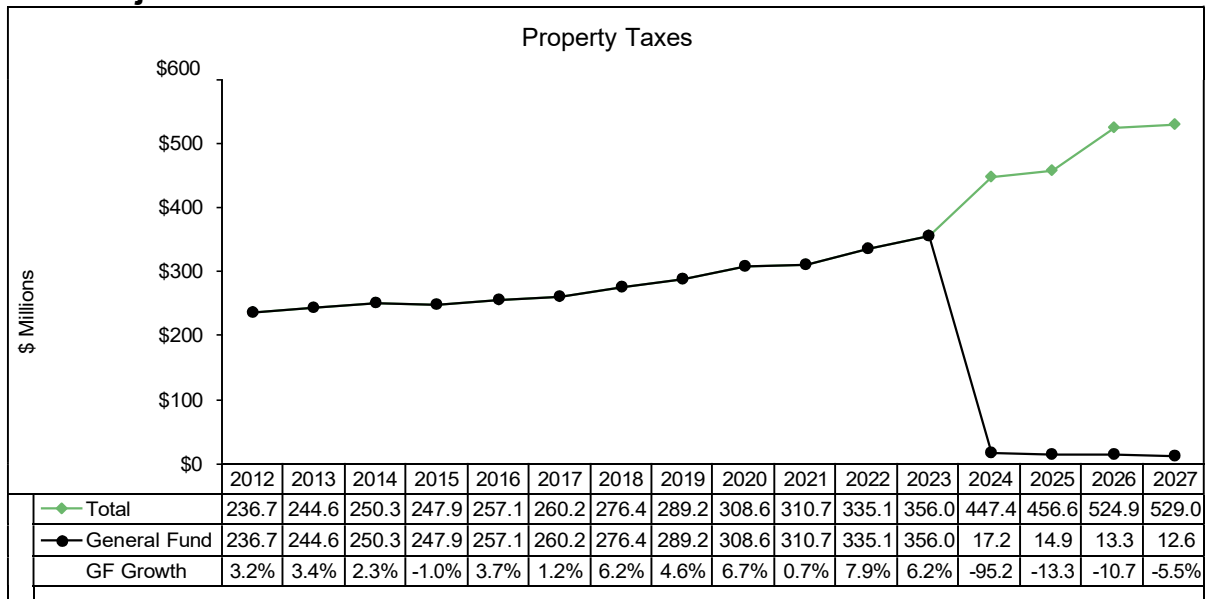
FY	Class 1 \$ Millions	Class 2 \$ Millions	Class 3 \$ Millions	Class 4 \$ Millions	Class 5 \$ Millions	Class 6 \$ Millions	Class 7 \$ Millions
A 2014	\$3.272	\$29.723	\$145.199	\$1,479.183	\$45.072	-	\$1.202
A 2015	3.791	25.555	143.467	1,519.031	43.570	-	1.182
A 2016	3.907	26.517	141.391	1,539.936	45.555	-	1.189
A 2017	4.080	19.454	142.282	1,552.031	46.795	-	1.139
A 2018	3.984	17.890	152.939	1,715.108	47.671	-	1.146
A 2019	4.795	22.274	152.577	1,743.879	47.683	-	1.215
A 2020	5.584	25.979	157.351	1,952.194	47.352	-	0.003
A 2021	4.745	31.695	157.219	1,987.610	50.769	-	0.003
A 2022	3.929	41.809	152.323	2,255.215	51.471	-	0.003
A 2023	4.432	47.470	152.236	2,326.225	54.520	-	0.018
A 2024	4.101	34.000	153.153	3,410.015	57.243	-	0.020
F 2025	5.621	26.584	153.099	3,424.878	57.705	-	0.018
F 2026	5.762	30.489	161.351	4,104.848	59.593	-	0.017
F 2027	5.446	28.816	162.964	4,134.309	61.543	-	0.015
F 2028	5.147	27.234	164.594	4,721.658	63.556	-	0.014
F 2029	4.864	25.739	166.240	4,755.942	65.636	-	0.013

## Property Tax

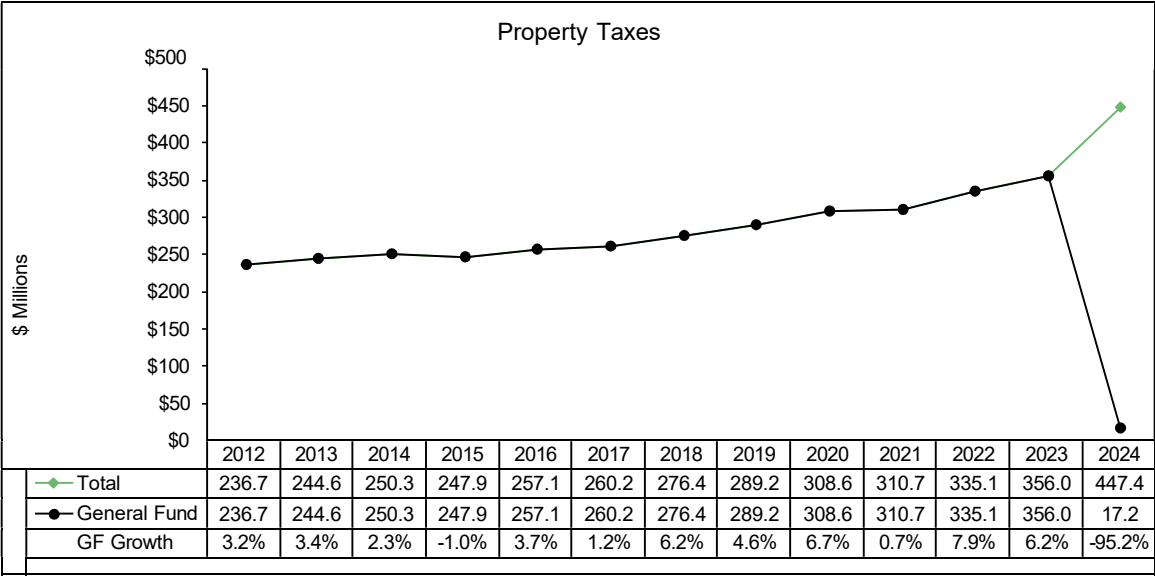
## Property Tax

FY	Class 8 \$ Millions	Class 9 \$ Millions	Class 10 \$ Millions	Class 12 \$ Millions	Class 13 \$ Millions	Class 14 \$ Millions	Class 15 \$ Millions	Class 17 \$ Millions
A 2014	\$162.972	\$353.968	\$6.277	\$74.501	\$187.546	\$32.105	\$0.953	-
A 2015	147.114	374.692	6.215	72.038	169.516	16.601	1.757	-
A 2016	154.457	430.457	4.922	74.354	178.178	16.881	2.352	-
A 2017	155.331	478.417	4.920	85.934	181.614	17.670	2.355	-
A 2018	155.522	502.593	4.913	95.052	179.090	16.958	2.533	-
A 2019	159.934	501.145	4.898	88.093	172.584	21.074	2.010	-
A 2020	169.230	504.845	4.902	87.053	170.876	19.394	1.913	-
A 2021	167.304	535.254	4.870	101.163	162.733	17.567	1.830	-
A 2022	149.090	549.156	4.791	104.543	151.958	15.606	2.124	-
A 2023	157.044	626.403	4.733	98.270	148.451	35.472	3.640	1.771
A 2024	214.436	595.835	4.759	91.728	128.007	39.352	2.924	0.785
F 2025	209.398	615.404	4.764	87.057	129.914	37.230	2.775	0.561
F 2026	231.307	637.794	4.764	87.634	126.486	38.719	2.775	0.561
F 2027	238.241	660.999	4.764	88.326	123.148	38.719	2.775	0.561
F 2028	243.709	685.048	4.764	87.730	119.898	38.719	2.775	0.561
F 2029	249.303	709.972	4.764	87.499	116.734	38.719	2.775	0.561

## Revenue Projection







## Property Tax 55 Mill

### Statutory Reference

Tax Rate – [20-9-331\(1\), MCA](#); [20-9-333\(1\), MCA](#)

Tax Distribution – [20-9-331\(1\), MCA](#); [20-9-333\(1\), MCA](#)

Date Due – Half of taxes due November 30<sup>th</sup> and half are due May 31<sup>st</sup> ([15-16-102\(1\), MCA](#)). county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month ([15-1-504\(1\), MCA](#))

**Applicable Tax Rates:** Each property class has its own tax rate, which is applied to the assessed value to produce a taxable value. For every \$1,000 in taxable value, 55 mills generate \$55 in state property taxes.

**Collection Frequency:** Monthly, with significant state deposits in December and June.

**Distribution:** As of FY 2024, most of the 55 elementary and high school equalization mills are deposited into a state special revenue account. Non-levy revenue and protested tax accruals are deposited into the general fund.

**Summary of Legislative Action:** See main property page for list of legislative actions.

### Forecast Risks

- Taxable value growth rates
- Tax Increment Financing (TIF) property values
- Abated property values
- Non-levy revenue

**Revenue Estimate Methodology:** Explained in the methodology section under “Property Tax.”

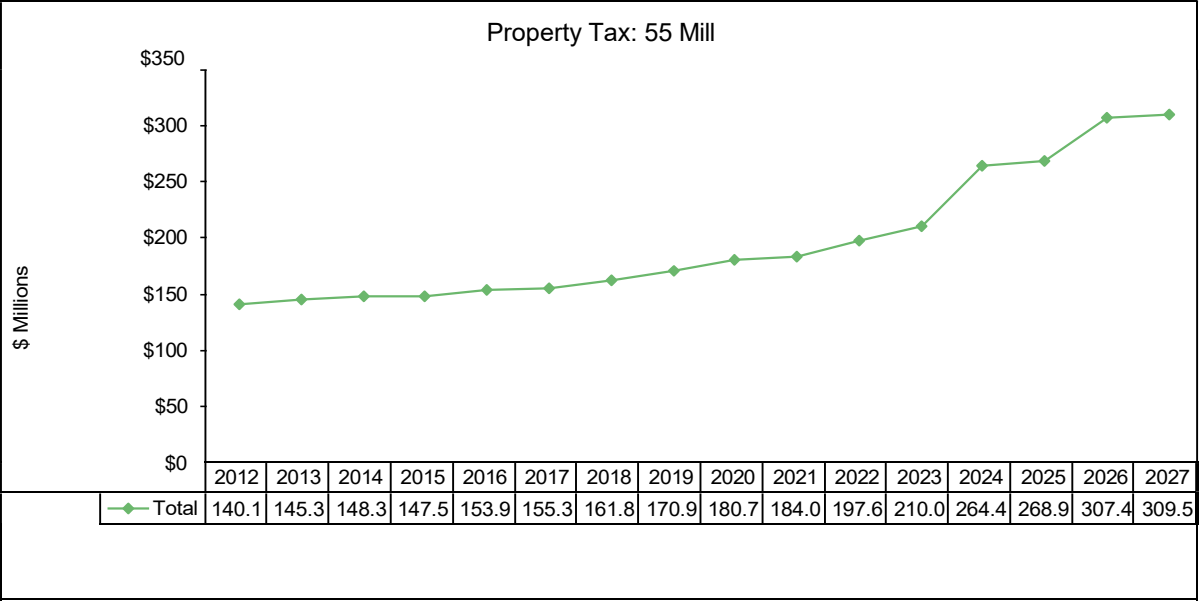
### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

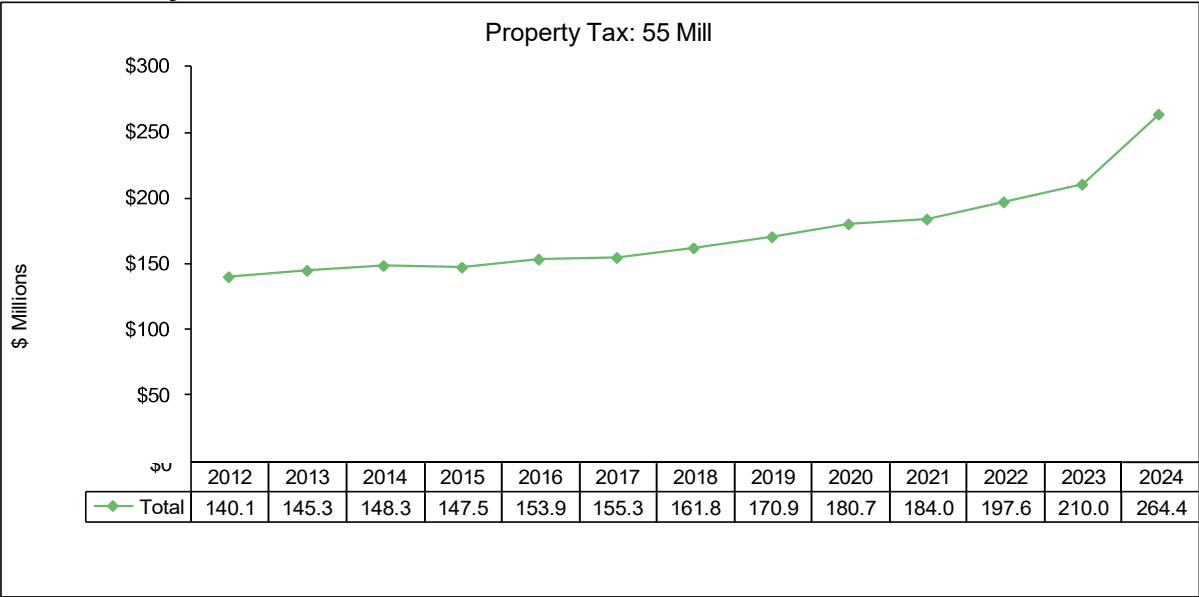
		55 Mill	Taxable	TIF	Abatements
	FY	Total Tax \$ Millions	Value \$ Millions	Value \$ Millions	Value \$ Millions
A	2014	\$ 148.324	\$ 2,521.972	\$ 48.039	\$ 20.678
A	2015	147.498	2,524.531	45.187	20.697
A	2016	153.892	2,620.095	50.786	21.486
A	2017	155.282	2,692.021	52.929	22.075
A	2018	161.834	2,895.399	58.171	23.743
A	2019	170.888	2,922.162	57.217	23.963
A	2020	180.667	3,146.677	72.989	25.804
A	2021	184.038	3,222.763	71.340	26.428
A	2022	197.583	3,482.017	68.221	28.554
A	2023	210.024	3,660.684	68.493	30.019
A	2024	264.362	4,736.360	99.816	38.840
F	2025	268.866	4,755.008	100.524	38.992
F	2026	307.427	5,492.100	101.462	45.037
F	2027	309.481	5,550.626	109.055	45.517
F	2028	342.282	6,165.409	117.216	50.558
F	2029	344.742	6,228.763	125.987	51.078

Property Tax  
Revenue Projection

55 Mill



Revenue History



## Property Tax 40 Mill

### Statutory Reference

Tax Rate – [20-9-360, MCA](#)

Tax Distribution – [20-9-360, MCA](#)

Date Due – Half of taxes due November 30<sup>th</sup> and half are due May 31<sup>st</sup> ([15-16-102\(1\), MCA](#)). county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month ([15-1-504\(1\), MCA](#))

**Applicable Tax Rates:** Each property class has its own tax rate, which is applied to the assessed value to produce a taxable value. For every \$1,000 in taxable value, 40 mills generate \$40 in state property taxes.

**Collection Frequency:** Monthly, with significant state deposits in December and June.

**Distribution:** As of FY 2024, most of the 40 mills are deposited into a state special revenue account. Non-levy revenue and protested tax accruals are deposited into the general fund.

### Forecast Risks

- Taxable value growth rates
- Non-levy revenue
- Tax Increment Financing (TIF) property values
- Abated property values

**Revenue Estimate Methodology:** Explained in the methodology section under “Property Tax.”

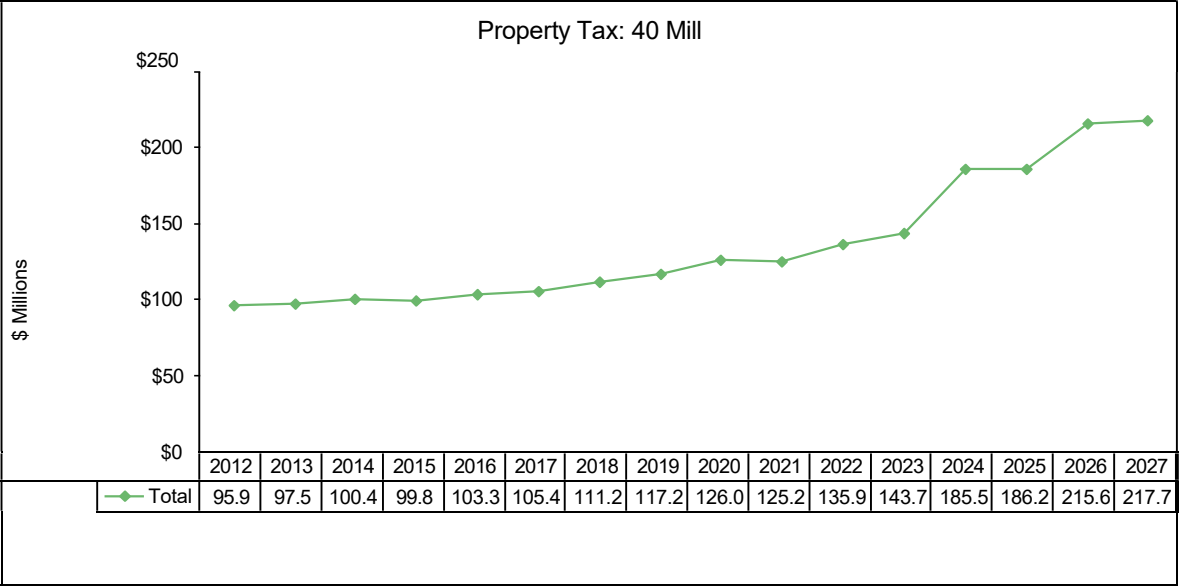
### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

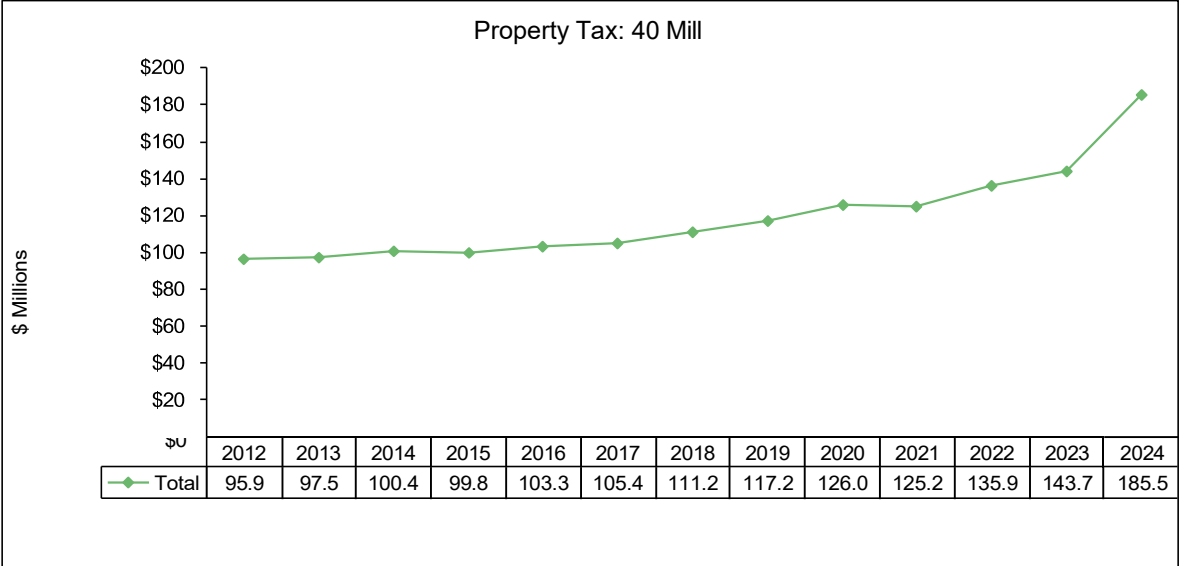
		40 Mill	Taxable	TIF	Abatements
	FY	Total Tax \$ Millions	Value \$ Millions	Value \$ Millions	Value \$ Millions
A	2014	\$100.380	\$2,521.972	\$48.039	\$20.678
A	2015	99.804	2,524.531	45.187	20.697
A	2016	103.264	2,620.095	50.786	21.486
A	2017	105.417	2,692.021	52.929	22.075
A	2018	111.168	2,895.399	58.171	23.743
A	2019	117.161	2,922.162	57.217	23.963
A	2020	125.995	3,146.677	72.989	25.804
A	2021	125.218	3,222.763	71.340	26.428
A	2022	135.898	3,482.017	68.221	28.554
A	2023	143.688	3,660.684	68.493	30.019
A	2024	185.462	4,736.360	99.816	38.840
F	2025	186.179	4,755.008	100.524	38.992
F	2026	215.626	5,492.100	101.462	45.037
F	2027	217.663	5,550.626	109.055	45.517
F	2028	241.928	6,165.409	117.216	50.558
F	2029	244.111	6,228.763	125.987	51.078

Property Tax  
Revenue Projection

40 Mill



Revenue History



## Property Tax 6 Mill

### Statutory Reference

Tax Rate – [15-10-109, MCA](#)

Tax Distribution – [15-10-109, MCA](#)

Date Due – Half of taxes due November 30<sup>th</sup> and half are due May 31<sup>st</sup> ([15-16-102\(1\), MCA](#)). county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month ([15-1-504\(1\), MCA](#))

### Applicable Tax Rates

Each property class has its own tax rate, which is applied to the assessed value to produce a taxable value. For every \$1,000 in taxable value, 6 mills generate \$6 in state property taxes.

**Collection Frequency:** Monthly, with significant state deposits in December and June.

**Distribution:** All proceeds are deposited into the university system 6 mill levy state special revenue account.

### Forecast Risks

- Taxable value growth rates
- Non-levy revenue growth
- Tax Increment Financing (TIF) property values
- Abated property values

**Revenue Estimate Methodology:** Explained in the methodology section under “Property Tax.”

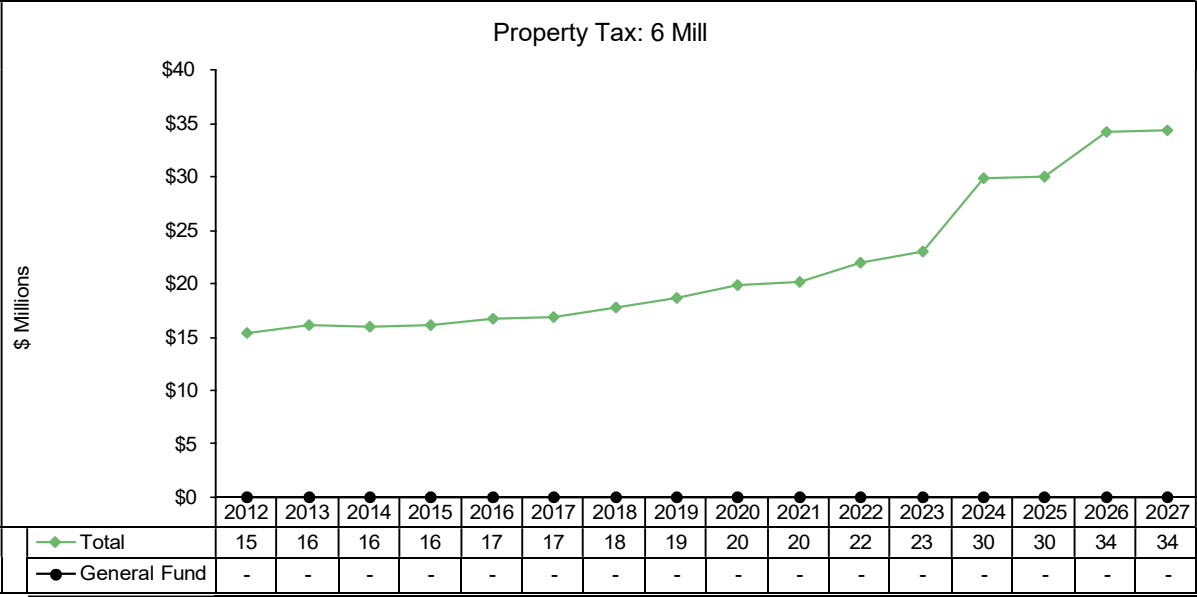
### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

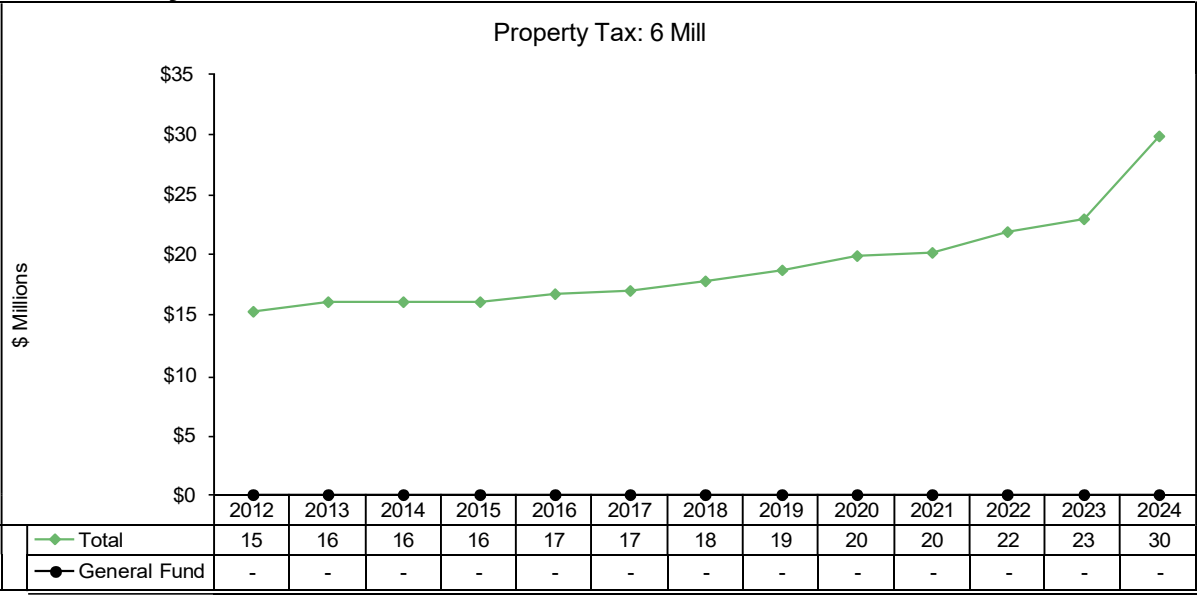
FY	6 Mill Total Tax \$ Millions	6 Mill GF Tax \$ Millions	Taxable Value \$ Millions	TIF Value \$ Millions	Abatements Value \$ Millions
A 2014	\$16.037	\$0.000	\$2,521.972	\$48.039	\$20.678
A 2015	16.052	-	2,524.531	45.187	20.697
A 2016	16.670	-	2,620.095	50.786	21.486
A 2017	16.836	-	2,692.021	52.929	22.075
A 2018	17.966	-	2,895.399	58.171	23.743
A 2019	18.713	-	2,922.162	57.217	23.963
A 2020	19.894	-	3,146.677	72.989	25.804
A 2021	20.124	-	3,222.763	71.340	26.428
A 2022	21.921	-	3,482.017	68.221	28.554
A 2023	23.236	-	3,660.684	68.493	30.019
A 2024	29.643	-	4,736.360	99.816	38.840
F 2025	29.925	-	4,755.008	100.524	38.992
F 2026	34.087	-	5,492.100	101.462	45.037
F 2027	34.336	-	5,550.626	109.055	45.517
F 2028	37.948	-	6,165.409	117.216	50.558
F 2029	38.256	-	6,228.763	125.987	51.078

Property Tax  
Revenue Projection

6 Mill



Revenue History



### Property Tax 1.5 Mill

#### Revenue Description

Statute requires the boards of county commissioners in the five counties where colleges of technology reside to levy 1.5 mills for deposit in the state general fund.

#### Statutory Reference

Tax Rate – [20-25-439\(1\), MCA](#)

Tax Distribution – [20-25-439\(2\), MCA](#)

Date Due – Half of taxes due November 30<sup>th</sup> and half are due May 31<sup>st</sup> ([15-16-102\(1\), MCA](#)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month ([15-1-504\(1\), MCA](#))

**Applicable Tax Rates:** Each property class has its own tax rate which is applied to assessed value to produce a taxable value. For every \$1,000 in taxable value, 1.5 mills generate \$1.50 in state property taxes.

**Collection Frequency:** Monthly, with significant state deposits in December and June

**Distribution:** The 1.5 vo-tech mills are deposited in the general fund.

#### Forecast Risks

- Taxable value growth rates
- Tax Increment Financing (TIF) property values
- Abated property values
- Non-levy revenue growth rates

**Revenue Estimate Methodology:** Explained in the methodology section under “Property Tax.”

#### Revenue Estimate Assumptions

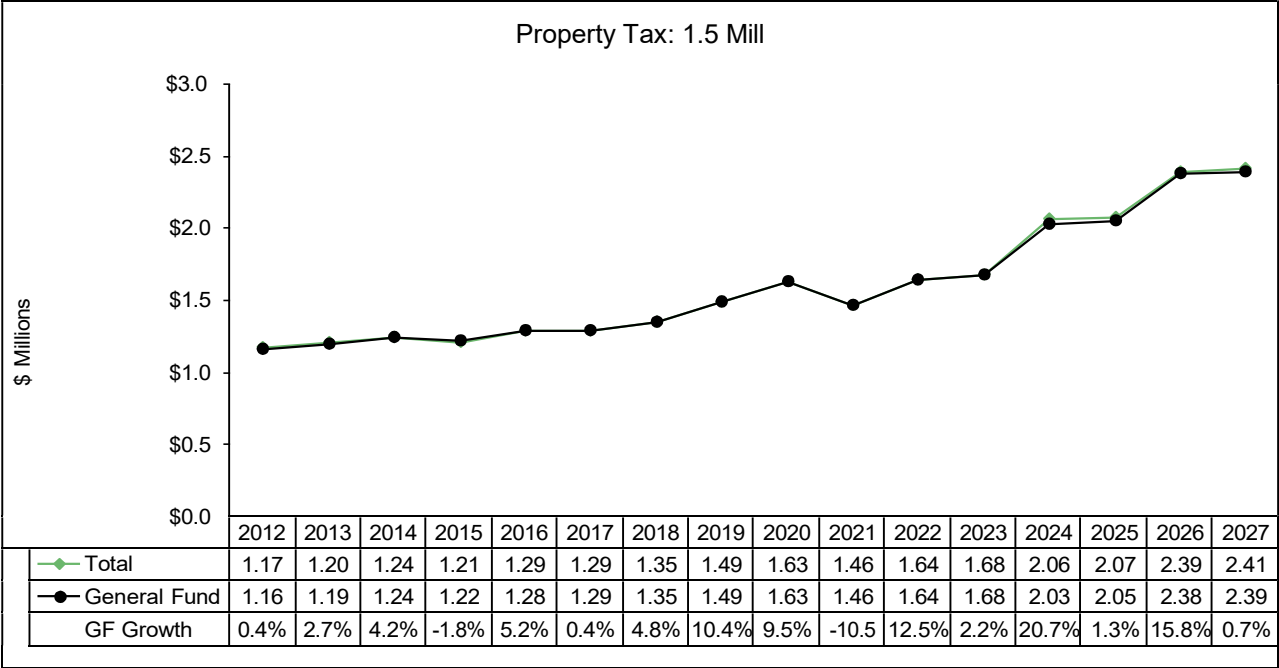
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

FY	1.5 Mill Total Tax \$ Millions	1.5 Mill GF Tax \$ Millions	1.5 Mill Taxable Value \$ Millions	1.5 Mill TIF Value \$ Millions
A 2014	\$1.243	\$1.241	\$837.521	\$26.609
A 2015	1.209	1.219	826.434	21.114
A 2016	1.292	1.283	892.940	26.970
A 2017	1.289	1.288	910.514	27.024
A 2018	1.348	1.349	966.234	30.379
A 2019	1.490	1.489	970.194	29.303
A 2020	1.630	1.631	1,056.656	38.853
A 2021	1.461	1.461	1,055.164	36.877
A 2022	1.644	1.644	1,122.059	41.168
A 2023	1.675	1.679	1,154.879	37.931
A 2024	2.059	2.027	1,427.918	55.009
F 2025	2.069	2.052	1,433.540	54.014
F 2026	2.393	2.376	1,655.758	60.566
F 2027	2.410	2.393	1,673.402	66.737
F 2028	2.677	2.660	1,858.578	73.786
F 2029	2.694	2.677	1,877.678	81.842

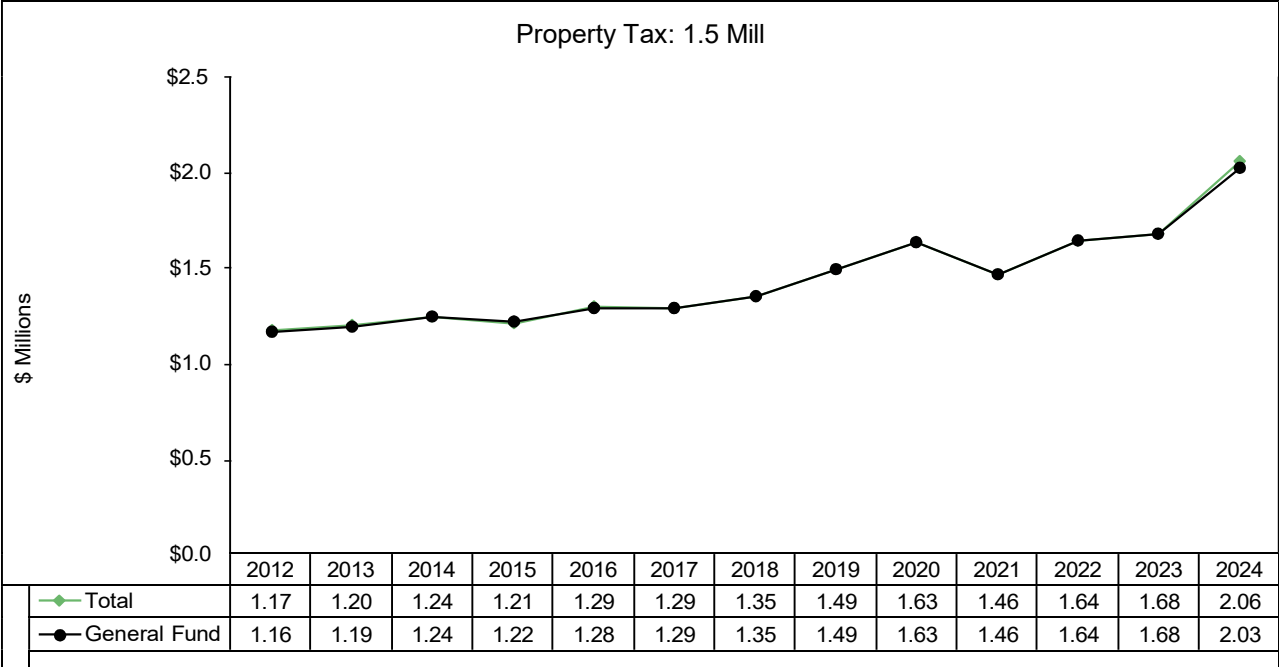


Property Tax  
Revenue Projection

1.5 Mill



Revenue History



# OTHER GENERAL FUND REVENUE



All Other Revenue  
Highway Patrol Fines  
Nursing Facilities Fee  
Public Institution Reimbursements  
Tobacco Settlement



**All Other Revenue****Revenue Description**

There are a variety of sources of taxes, fees, or fines that historically have generated less than \$2.5 million each in annual general fund revenue.

**Statutory Reference:** Various

**Applicable Tax Rates:** Various

**Collection Frequency:** Monthly

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

**Forecast Risks**

- Investment license revenue and expenditures
- Liquor license revenue and expenditures
- Number of vehicles registered under the single state registration system
- Fixed costs appropriated for SWCAP/SFCAP
- District court fees
- Revenue and expenditures in the DPHHS cigarette account
- Civil fines
- State Street banking fees
- MSU-EMC debt service payments

**Revenue Estimate Methodology**Data

Numerous data sources are consulted for each of the applicable fifteen revenue sources that are estimated individually.

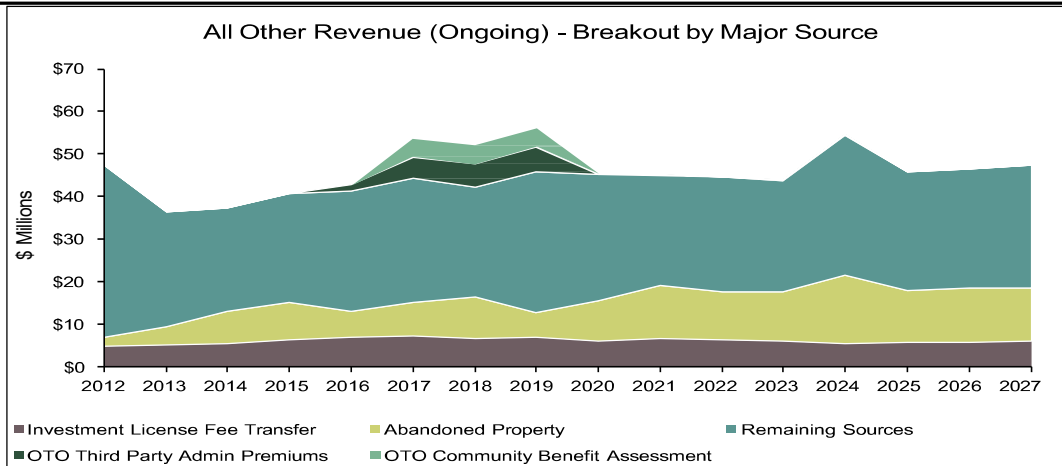
Analysis

1. Abandoned property is estimated using a nine-year moving average.
2. District court fees are estimated using a five-year average.
3. Investment license fee transfer is the net between non-general fund investment fee revenue collected by the State Auditor and its expenses. These amounts are determined in the "Investment License Fee" revenue source.
4. Statewide Cost Allocation Plan: these amounts are estimated using a five-year moving average.
5. Court surcharge is estimated using a three-year moving average.
6. Veteran's cigarette account transfer: money in the account at the end of a fiscal year in excess of \$2.0 million is transferred to the general fund. To estimate the excess amounts, distributions of cigarette tax revenue to the account (as determined in the "Cigarette Tax" revenue source) is reduced by budgeted present law amounts from the account for each fiscal year. Included are expenditure estimates from long range building appropriations. The \$2.0 million limit is then subtracted from the net revenue.
7. Banking charges are estimated to grow by 1% per year.
8. The remainder of "All Other" revenue, after the seven revenue sources have been estimated individually, is estimated using a three-year moving average.

The chart below illustrates the major sources of all other revenue. Note that legislatively authorized transfers were a key component of all other revenue in the 2019 biennium.

## Other General Fund Sources

## All Other Revenue



## Revenue Estimate Assumptions

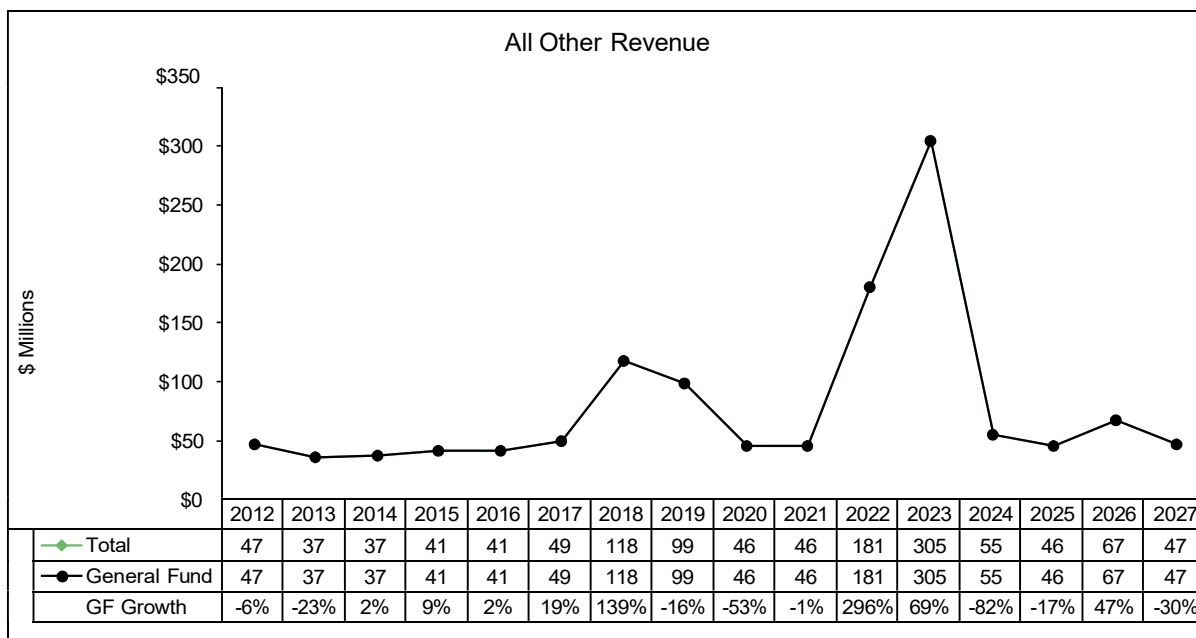
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

	FY	Total Tax \$ Millions	GF Tax \$ Millions	Investment Transfer \$ Millions	SWCAP SFCAP \$ Millions	District Court \$ Millions	Bank Charges \$ Millions	Vets. Account Transfer \$ Millions
A	2014	\$37.320	\$37.320	\$5.499	\$2.879	\$3.275	\$1.614	\$4.157
A	2015	40.822	40.822	6.526	2.907	3.203	1.636	3.215
A	2016	41.443	41.443	7.078	2.971	3.425	1.688	3.562
A	2017	49.294	49.294	7.315	2.384	3.325	1.695	3.154
A	2018	117.645	117.645	6.890	2.864	3.375	1.680	2.924
A	2019	98.800	98.800	6.938	2.864	3.705	1.688	2.462
A	2020	46.062	46.062	6.261	4.000	3.709	1.641	2.451
A	2021	45.607	45.607	6.885	4.000	3.828	1.705	3.500
A	2022	180.512	180.512	6.499	4.000	3.927	-	3.500
A	2023	304.813	304.813	6.190	4.000	3.757	-	3.500
A	2024	54.615	54.615	5.633	4.500	3.912	-	3.500
F	2025	45.569	45.569	5.854	4.000	3.068	-	4.500
F	2026	67.199	67.199	5.918	4.000	3.154	-	4.500
F	2027	46.901	46.901	6.085	4.000	3.255	-	4.500
F	2028	47.772	47.772	6.324	4.000	3.335	-	4.500
F	2029	48.946	48.946	6.660	4.000	3.456	-	4.500

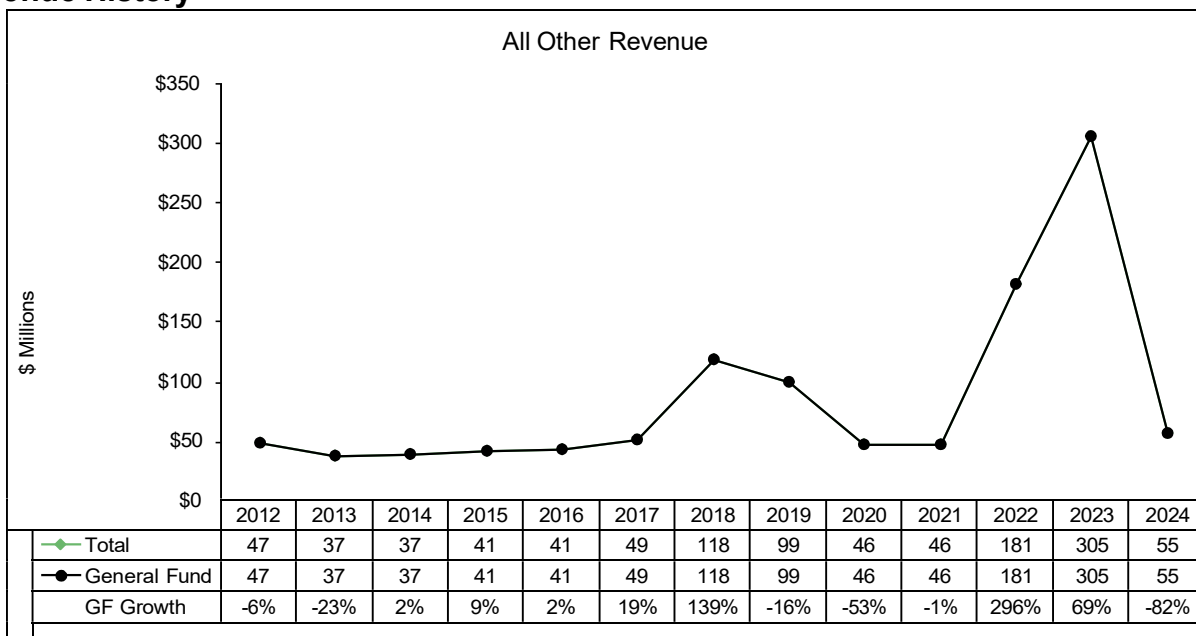
	FY	Abandoned Property \$ Millions	Court Surcharge \$ Millions	Third Party Premiums \$ Millions	Remaining Sources \$ Millions	OTO Transfers
A	2014	\$7.745	\$1.449		\$10.701	
A	2015	8.723	1.425		13.186	
A	2016	5.952	1.389	1.357	15.378	
A	2017	8.025	1.392	4.990	17.013	
A	2018	9.485	1.254	5.232	14.220	\$65.670
A	2019	5.927	1.255	5.838	21.325	42.747
A	2020	9.254	1.229	-	17.068	0.750
A	2021	12.153	1.142	(0.274)	12.217	0.750
A	2022	11.093	1.122	-	14.458	135.914
A	2023	11.425	1.101	0.130	13.920	260.789
A	2024	16.091	1.194	0.130	19.655	-
F	2025	12.003	1.139	-	15.464	-
F	2026	12.553	1.145	-	15.143	21.246
F	2027	12.633	1.159	-	15.728	-
F	2028	12.941	1.148	-	15.982	-
F	2029	13.244	1.151	-	16.394	-

## Other General Fund Sources Revenue Projection

## All Other Revenue



## Revenue History



## Highway Patrol Fines

### Revenue Description

The Montana Highway Patrol issues citations for speeding, driving under the influence of alcohol or drugs, and other misdemeanors. The fines and forfeitures associated with these citations are collected by various state and local courts.

### Statutory Reference

Tax Rate – General fines: [61-3-601, MCA](#); [61-5-307, MCA](#); [61-7-118, MCA](#); [61-8-711, MCA](#); [61-9-511, MCA](#); multiple others

Tax Distribution – [3-10-601, MCA](#) (fines collected in justice court are included in “All Other Revenue”); [61-10-148, MCA](#) (violations of vehicle size, weight & load); [61-12-701, MCA](#) (fines by Highway Patrol)

Date Due – Upon conviction

**Applicable Tax Rates:** Variable

**Collection Frequency:** Monthly

**Distribution:** All Highway Patrol fines and forfeitures on all offenses that result from citations issued by the Highway Patrol, except those paid to a justices’ court, and received by the state are deposited in the general fund.

### Forecast Risks

- Significant changes in historical driving patterns

### Revenue Estimate Methodology

#### Data

SABHRS data provide a history of highway patrol fine revenue.

#### Analysis

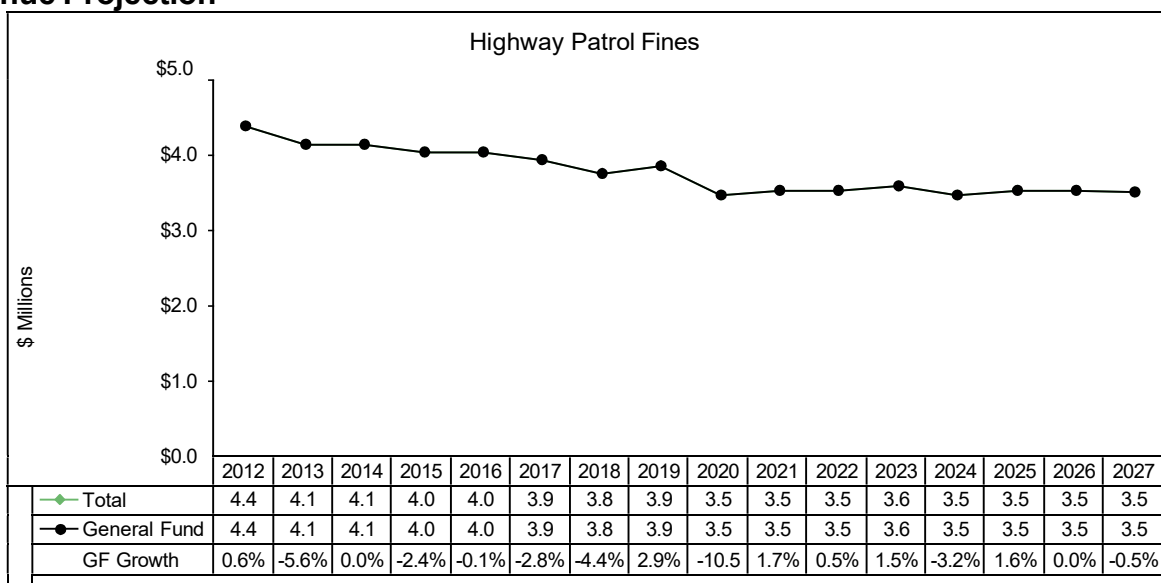
Highway patrol fine revenue is forecast using an autoregressive moving average time series model.

### Revenue Estimate Assumptions

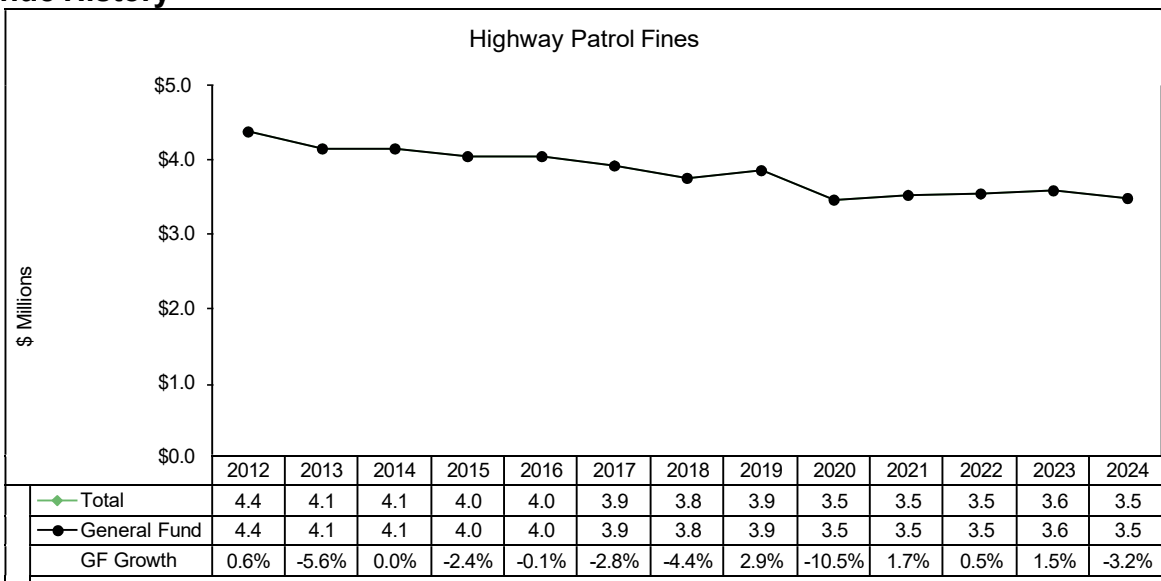
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

## Other General Fund Sources Revenue Projection

## Highway Patrol Fines



## Revenue History



## Nursing Facilities Fee

### Revenue Description

Utilization fees are assessed on nursing facilities and intermediate care facilities in Montana. Nursing facilities are health care facilities licensed by the Department of Public Health and Human Services (DPHHS) and include those operated for profit or non-profit, freestanding or part of another health facility, and may be either publicly or privately owned. Nursing facilities do not include adult foster homes, retirement homes, and other alternative living arrangements.

### Statutory Reference

Tax Rate – Nursing facility utilization fee: [15-60-102, MCA](#); intermediate care facility utilization fee: [15-67-102\(2\), MCA](#)

Tax Distribution – Nursing facility utilization fee: [15-60-102, MCA](#) & [15-60-210, MCA](#); intermediate care facility utilization fee: [15-67-102\(3\), MCA](#)

Date Due – Nursing facility utilization fee due the last day of the month following the close of the calendar quarter ([15-60-201, MCA](#)); intermediate care facility utilization fee due the month following the close of the calendar quarter ([15-67-201\(1\), MCA](#))

### Applicable Tax Rates

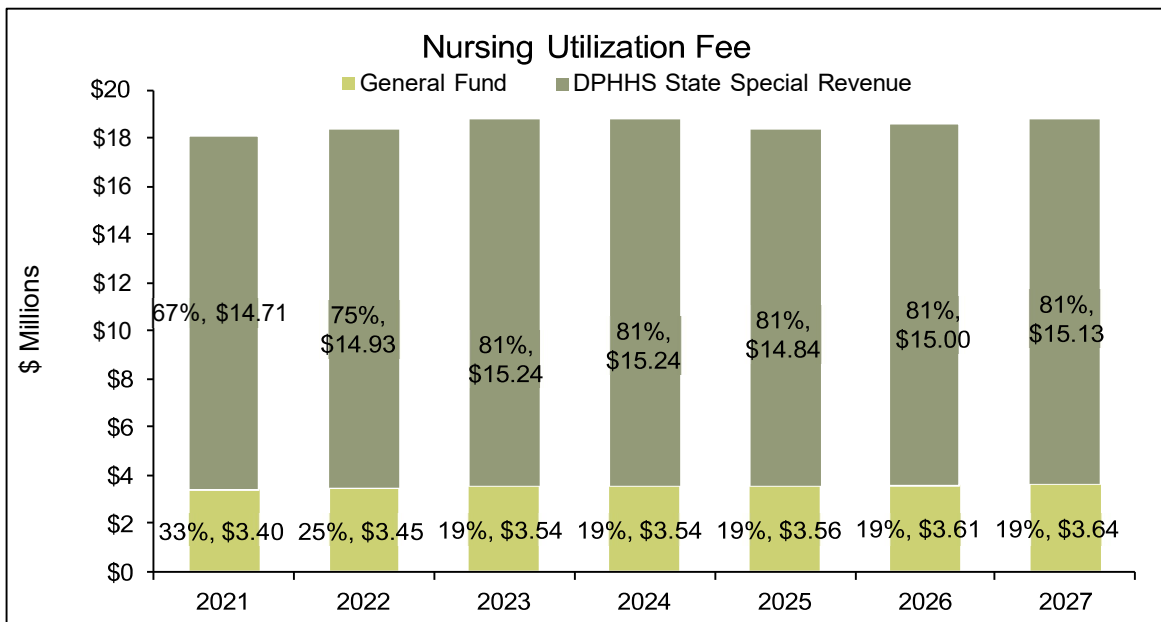
Nursing facility utilization fee: \$8.30 per bed day through end of FY 2017. With the passage of [HB 618 \(2017 Session\)](#) the fee increased to \$11.30 per day through FY 2018, and \$15.30 per day after July 31, 2018. Intermediate care facility utilization fee: 6% of a facility's quarterly revenue divided by quarterly bed days.

Bed days are defined as a 24-hour period in which a resident of a nursing facility is present in the facility or in which a bed is held for a resident while on temporary leave.

**Collection Frequency:** Quarterly

### Distribution

Nursing facility fee revenue is distributed between the general fund and the DPHHS state special revenue prevention and stabilization fund. The following chart shows the changing distribution of nursing facility fee revenue.





**Forecast Risks**

- Change in rate of facility utilization

**Revenue Estimate Methodology**Data

SABHRS data provide a history of nursing facilities fee revenue.

Analysis

Proxy bed days for nursing facilities are determined by dividing the difference between total nursing utilization fees and interim care fees by the nursing facilities fee daily rate per bed day. Future bed days are based on a time trend of the proxy bed days, which are then multiplied by the applicable fee rate of to obtain an estimate of future nursing facilities fees.

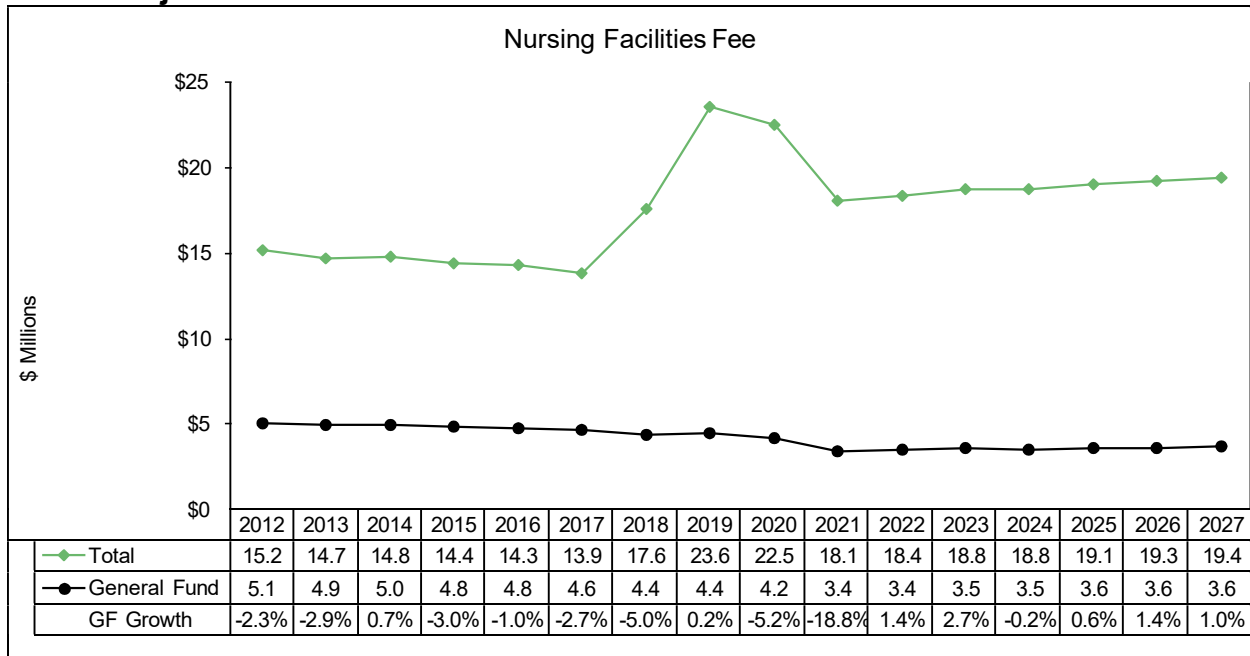
**Revenue Estimate Assumptions**

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

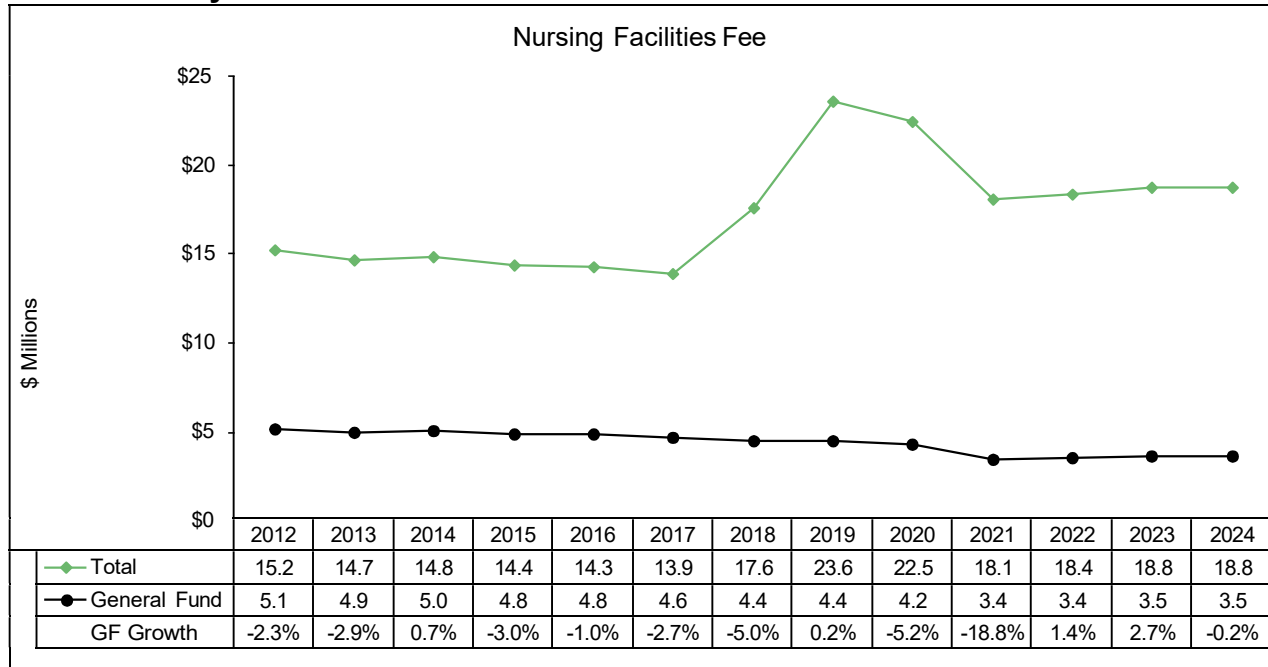
FY	Total Tax \$ Millions	GF Tax \$ Millions	Nursing Home Bed Days (Millions)	MDC Revenue (Millions)
A 2014	\$14.836	\$4.961	1.678	\$15.104
A 2015	14.391	4.810	1.625	15.103
A 2016	14.270	4.764	1.594	17.283
A 2017	13.853	4.635	1.579	12.394
A 2018	17.574	4.405	1.501	10.237
A 2019	23.627	4.416	1.519	6.624
A 2020	22.498	4.188	1.451	5.388
A 2021	18.113	3.400	1.170	5.198
A 2022	18.375	3.447	1.181	5.223
A 2023	18.778	3.542	1.193	8.795
A 2024	18.773	3.535	1.195	8.210
F 2025	19.057	3.558	1.206	-
F 2026	19.280	3.609	1.215	-
F 2027	19.450	3.644	1.224	-
F 2028	19.682	3.699	1.232	-
F 2029	19.878	3.742	1.241	-

## Other General Fund Sources Revenue Projection

## Nursing Facilities Fee



## Revenue History



**Public Institution Reimbursements****Revenue Description**

The Department of Public Health and Human Services (DPHHS) receives reimbursement for the cost of sheltering and treating residents at the Montana Developmental Center (MDC), the Montana Mental Health Nursing Care Center (MMHNCC), Montana State Hospital (MSH), Montana Chemical Dependency Treatment Center (MCDC), and the Montana Veterans' Home (MVH).

Reimbursement comes from four sources: state and federally matched Medicaid monies, federal Medicare funds, insurance payments if available, and private payments by residents or persons legally responsible for them.

**Statutory Reference**

Tax Rate – [53-1-402, MCA](#) (requirement to pay)

Tax Distribution – [53-1-413, MCA](#)

Date Due – Monthly ([53-1-405\(3\), MCA](#))

**Applicable Tax Rates:** Three variables determine the level of Medicaid nursing home payments: the number of patient days eligible for Medicaid reimbursement, the reimbursement rate per patient day, and the private resources of Medicaid patients.

**Collection Frequency:** Monthly

**Distribution**

Institutional reimbursements for MDC, MMHNCC, and MSH are first used for debt service with the remainder distributed to the general fund. Reimbursements for MCDC and MVH are distributed to a DPHHS state special revenue fund to be appropriated to those facilities.

**Forecast Risks**

- Changes in insurance, Medicaid, Medicare eligibility and payment levels
- Values of state and local medical spending
- Changing Montana per capita income
- Certification of state facilities by the Center for Medicare and Medicaid Services (CMS)

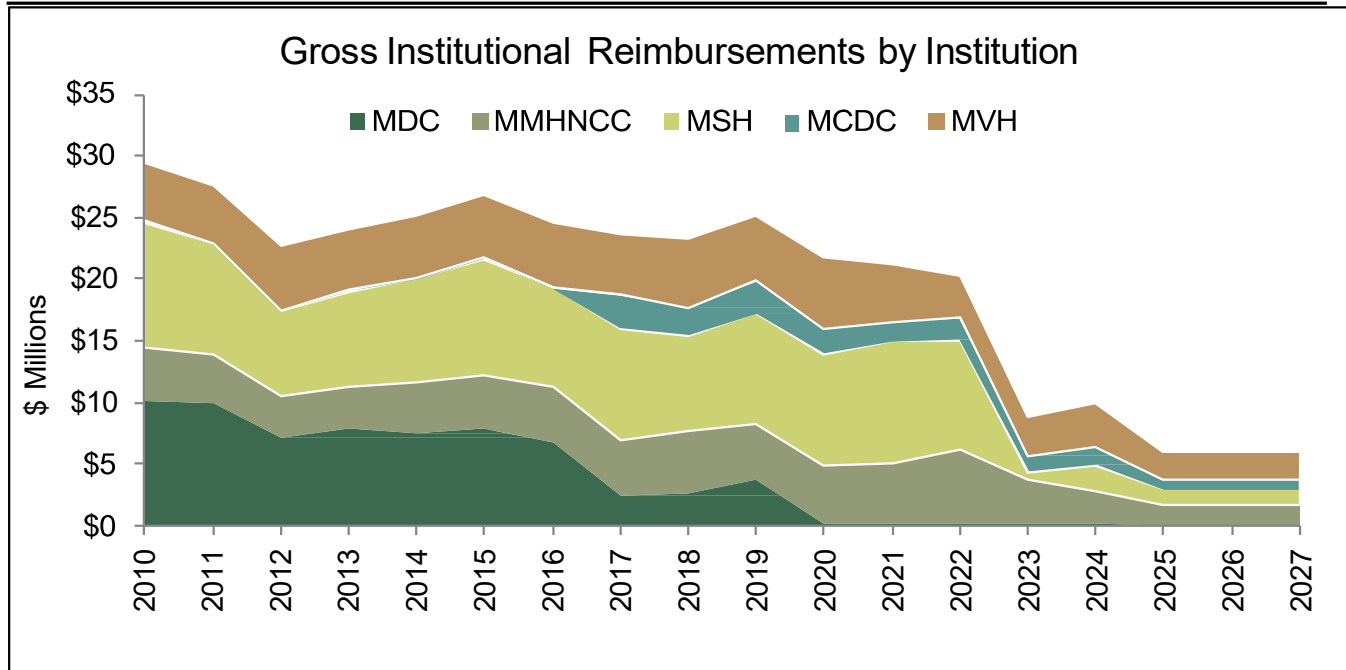
**Revenue Estimate Methodology**Data

The public institution reimbursement estimate is based on data obtained from SABHRS and the Kaiser Family Foundation number of Montana nursing home residents.

Analysis

Future nursing home residents are based on a time trend of total nursing home residents from the Kaiser Family Foundation. Total reimbursements are modeled on the number of nursing facility residents, with future modeled growth applied to the last year of actual collections. Debt service for MSH is subtracted from the total to produce anticipated general fund collections.

Late in FY 2021 MSH lost \$7.0-9.0 million in annual federal reimbursements after CMS terminated its provider agreement with the hospital due to a lack of compliance with federal requirements. MMHNCC and MVH are also significant contributors, while reimbursements from MCDC makes up a very small portion of total collections.



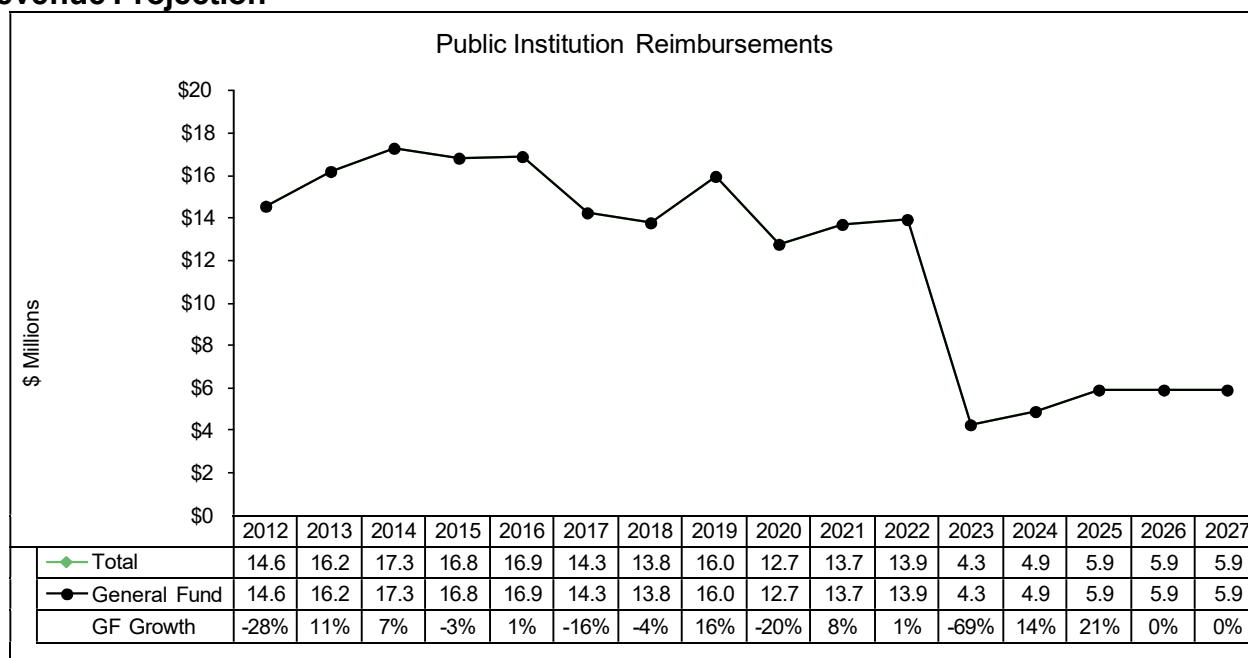
### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

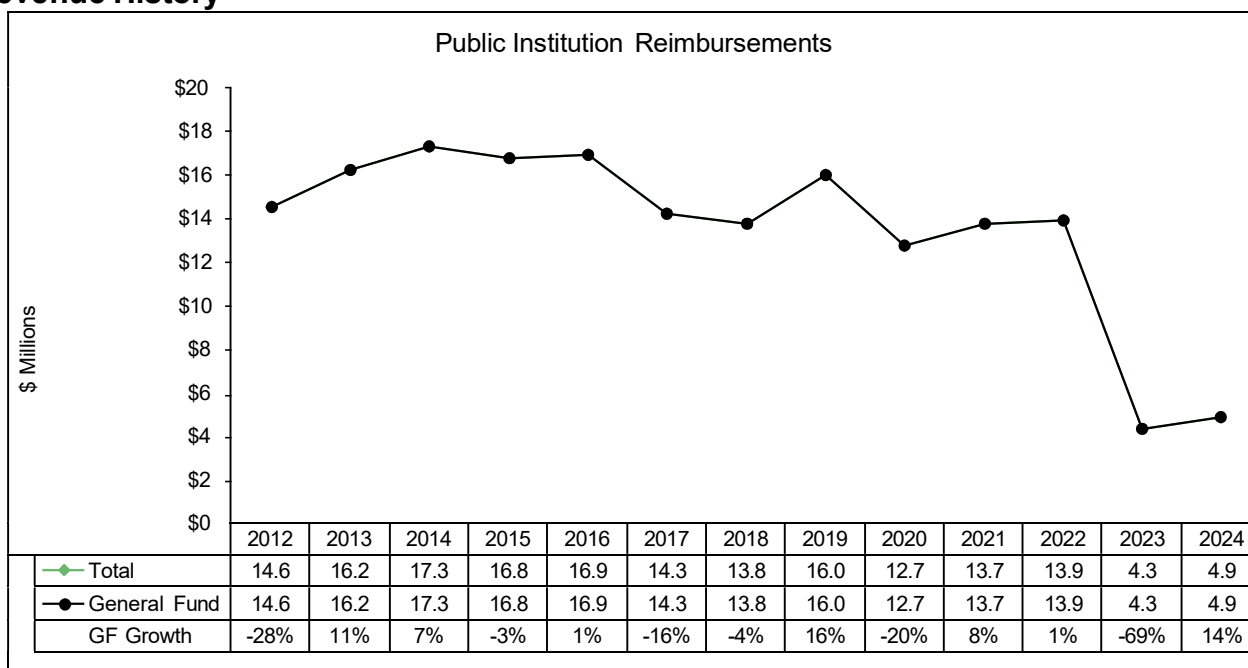
FY	Total Rev. \$ Millions	GF Rev. \$ Millions	MT Nursing Facility Residents	Calculated Total Reim. \$ Millions	Closure of MDC \$ Millions	MDC Debt Service \$ Millions	MSH Debt Service \$ Millions
A 2014	\$17.30	\$17.30	4,564	\$18.479		\$0.98	\$1.81
A 2015	16.82	16.82	4,431	18.572		0.96	1.81
A 2016	16.91	16.91	4,310	18.996		1.00	1.72
A 2017	14.26	14.26	4,153	16.981		0.96	1.72
A 2018	13.75	13.75	4,114	16.981		2.72	1.72
A 2019	15.99	15.99	4,091	16.927		-	1.73
A 2020	12.74	12.74	3,890	16.549		-	1.63
A 2021	13.74	13.74	3,195	14.977		-	1.26
A 2022	13.93	13.93	3,197	14.275		-	1.18
A 2023	4.31	4.31	3,204	14.582		-	1.19
A 2024	4.90	4.90	3,220	12.122		-	1.22
F 2025	5.92	5.92	3,225	14.634		-	-
F 2026	5.93	5.93	3,233	14.654		-	-
F 2027	5.94	5.94	3,241	14.675		-	-
F 2028	5.94	5.94	3,250	14.696		-	-
F 2029	5.95	5.95	3,258	14.716		-	-

## Other General Fund Sources Revenue Projection

## Public Institution Reimbursements



## Revenue History



## Tobacco Settlement

### Revenue Description

Montana receives tobacco settlement revenue per the Master Settlement Agreement (MSA) with 60 tobacco companies which concluded litigation with 46 states, Puerto Rico, American Samoa, the U.S. Virgin Islands, the North Mariana Island, Guam and the District of Columbia (52 total settling entities). The lawsuit and subsequent settlement were regarding tobacco-related health care costs.

### Statutory Reference

Tax Rate – N/A

Tax Distribution – [Montana Constitution, Article XII, Section 4](#); [17-6-606, MCA](#); [53-4-1011, MCA](#)

Date Due – Annual payments from settling entities due April 15<sup>th</sup> ([Master Settlement Agreement, Chapter IX\(c\)](#))

### Applicable Tax Rates:

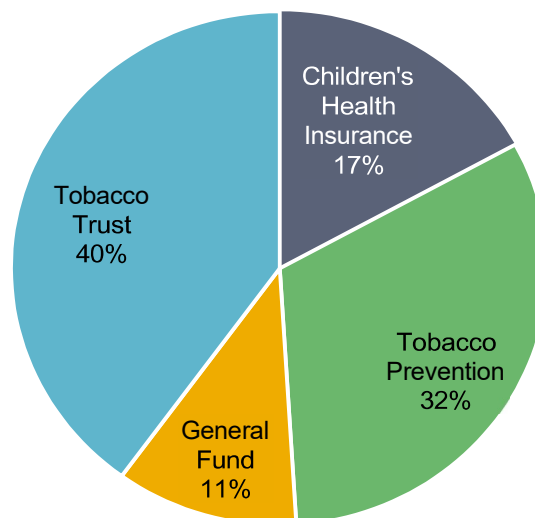
Funds received are subject to adjustments for various reasons including inflation, sales volume, loss of market share due to non-settling companies, operating income, settlements reached by the non-participating states, offsets for litigation, disputed payments, and others. Montana receives 0.4247591% of the total on-going annual payment.

### Collection Frequency

Annual payments are expected each April 15<sup>th</sup> into perpetuity.

### Distribution

The legislature is required to dedicate no less than 40% of tobacco settlement money to a permanent trust fund. The remaining revenue is distributed between the general fund, the Children's Health Insurance Program state special revenue fund, and the Tobacco Prevention state special revenue fund. The adjacent chart shows the FY 2024 distribution of the tobacco settlement funds.



### Forecast Risks

- Inflation
- Volume
- Changing market share for settling companies
- Payment disputes

### Revenue Estimate Methodology

#### Data

PriceWaterhouseCoopers (PWC), the independent auditor to the agreement, gathers all tobacco settlement data and makes all the calculations required by the MSA for determining the amount owed and the distribution. PWC provides detailed documentation of all calculations that is used to inform the model.

#### Analysis

The base amount of the settlement is a set value, the analysis and relies on forecasting the adjustments made to that base amount that will result in the final revenue. The adjustments calculated in the model

**Other General Fund Sources****Tobacco Settlement**

are related to (1) inflation, (2) volume, (3) operating income, (4) states with prior tobacco settlements, (5) non-participating cigarette manufacturers.

1. Inflation – This adjustment cumulatively increases the amount owed by the greater of 3% or the amount of the Consumer Price Index for Urban Consumers. This is forecast using the CPI forecast provided by IHS.
2. Volume – Payments are reduced as the number of cigarettes shipped nationally decreases. The current number of cigarettes is compared to the 1997 base number of 475.7 billion cigarettes. The analysis assumes that the historic trend in number of cigarettes shipped will continue through the biennium. Per the settlement agreement, the calculated adjustment is reduced by 2.0% and then applied.
3. Operating income – Payments increase if the aggregate operating income from the sales of cigarettes exceeds the 1996 base amount of \$7,060.840 million, as adjusted for inflation (see above). This adjustment has not been used since 2000 and therefore is not explained in this document.
4. Previous settling states – Before the MSA, four states had settled lawsuits with certain cigarette manufacturers. The agreement recognized this by allowing reductions to the annual payments (as adjusted for inflation and volume) of 12.45% through FY 2007, 12.24% through FY 2017, and 11.07% thereafter.
5. Non-participating manufacturers (NPM) – If tobacco manufacturers who participate in the Master Settlement Agreement lose market share to those manufacturers who do not, their payments may be reduced, if certain criteria are met.

This adjustment is three times the market share loss of the participating manufacturers. Market share loss is determined by subtracting the current year market share of the participating manufacturers from 97.5835%. If the computed market share loss exceeds 16-2/3%, adjustments are made to account for loss of market share. For this to occur, the change in market share for all PM would have to fall to 80%. It is unlikely that this will occur. While this adjustment is not included as such, the estimate is reduced slightly because the participating manufacturers generally dispute a portion of a payment. FY 2019 was the first year that any disputed payment completed the cycle of litigation, and the state received the disputed 2003 funds. In November 2020 the state won litigation that released all disputed payments. This resulted in a one-time only increase for FY 2021 and included a provision that funds will no longer be withheld. Beginning in 2030 the companies will be allowed to dispute a portion of the payment in Montana courts but will not be able to withhold a payment prior to a judgement in their favor.

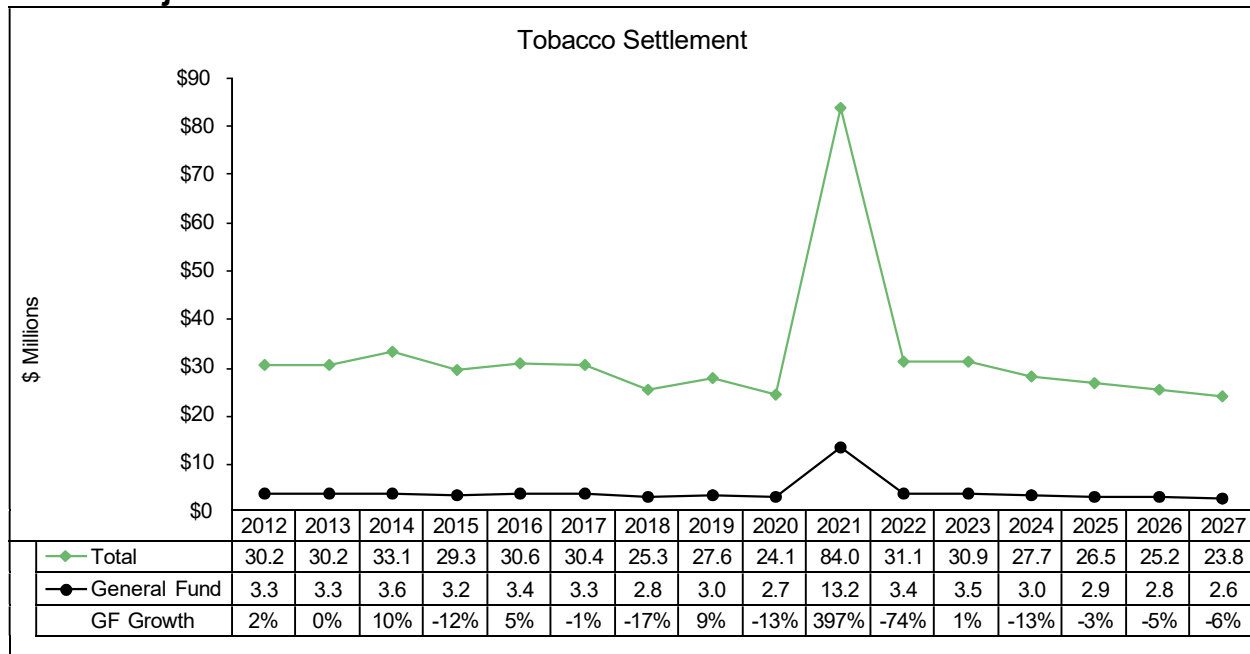
These forecast adjustments are applied to the base amount, and the result is the total revenue estimate.

### Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

FY	Total Settle \$ Millions	GF Settle \$ Millions	Market Share	Volume (Millions)	Annual Inflation (at least 3.0%)
A 2014	\$33.142	\$3.646	0.936	0.235	3.0%
A 2015	29.319	3.225	0.936	0.227	3.0%
A 2016	30.650	3.371	0.934	0.226	3.0%
A 2017	30.392	3.343	0.934	0.221	3.0%
A 2018	25.252	2.778	0.933	0.210	3.0%
A 2019	27.581	3.034	0.927	0.197	3.0%
A 2020	24.130	2.654	0.915	0.183	3.0%
A 2021	83.997	13.196	0.907	0.183	7.0%
A 2022	31.144	3.426	0.901	0.171	8.0%
A 2023	30.851	3.466	0.902	0.151	4.1%
A 2024	27.738	2.999	0.892	0.135	3.0%
F 2025	26.456	2.910	0.907	0.121	3.0%
F 2026	25.237	2.776	0.902	0.108	3.1%
F 2027	23.837	2.622	0.901	0.097	3.0%
F 2028	24.383	2.682	0.901	0.087	3.0%
F 2029	20.488	2.254	0.901	0.077	3.0%

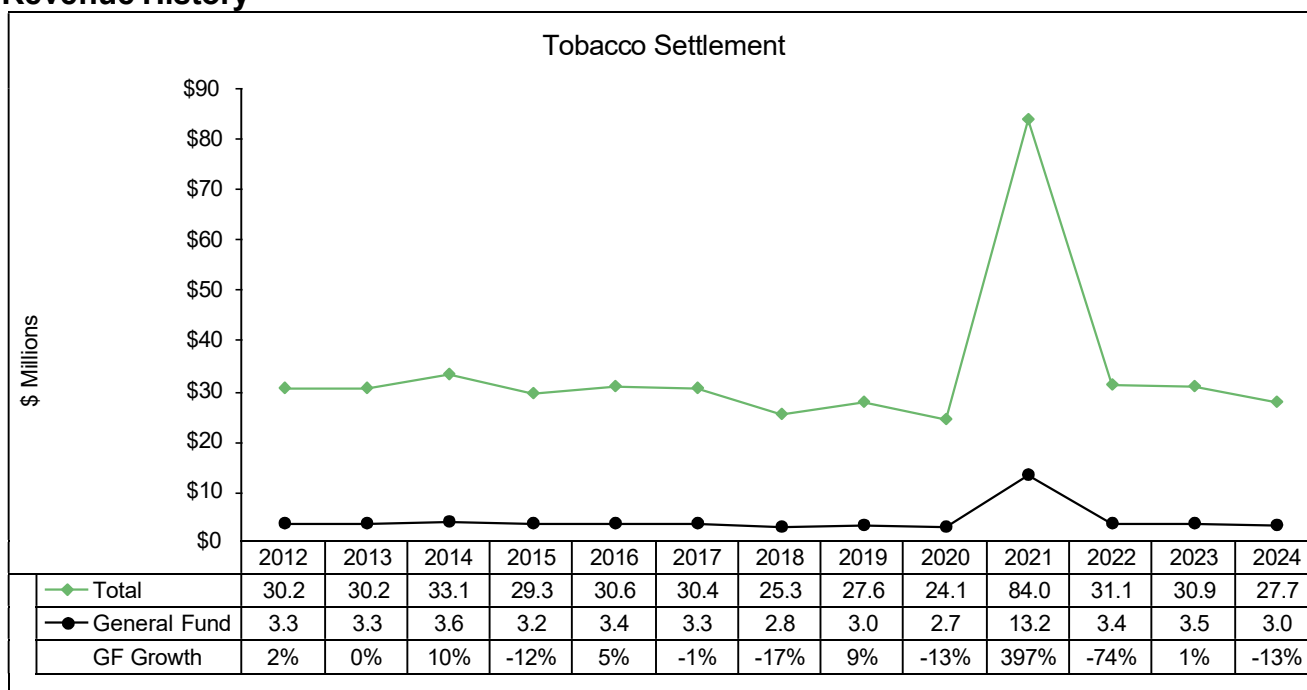
### Revenue Projection



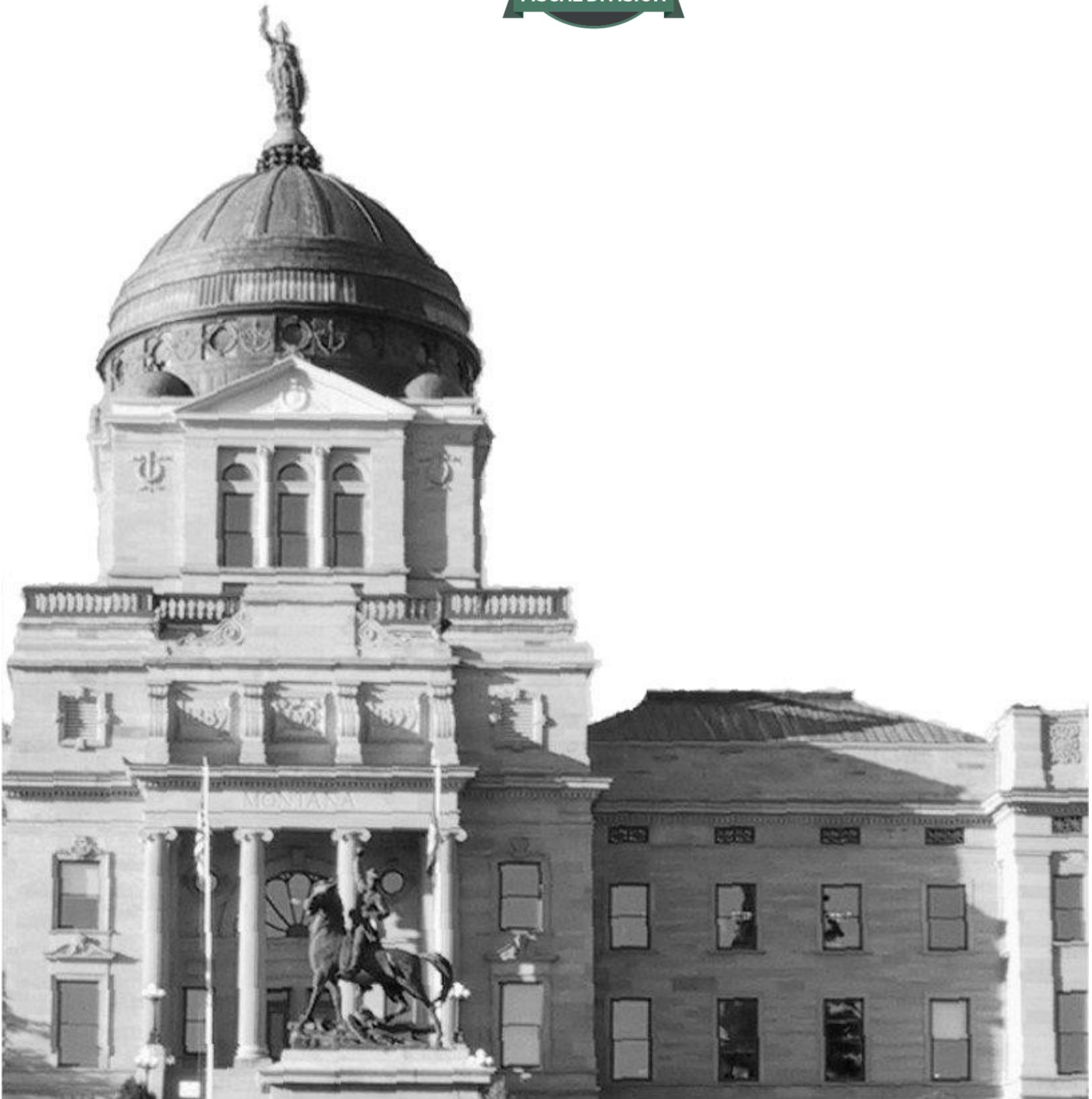


# Other General Fund Sources Revenue History

## Tobacco Settlement



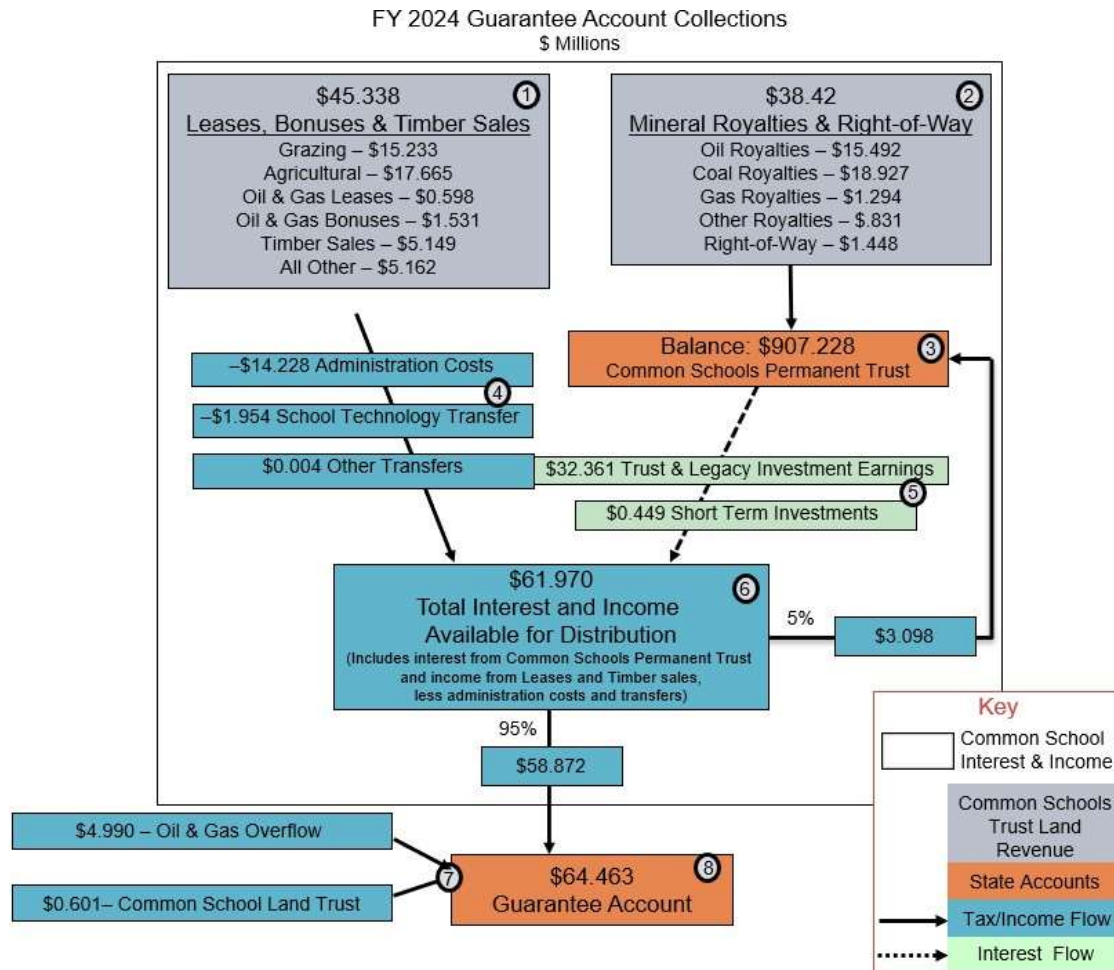
# GUARANTEE FUND REVENUE



## Guarantee Fund

### Revenue Description

The Guarantee Fund is a state special revenue fund dedicated as the first source of school funding. It primarily receives revenue generated from common school state land and the subsequent interest on the Common School trust fund.



\*Totals may not sum exactly due to rounding

□ **Leases, Bonuses & Timber Sales:** Lands granted by the federal government to the state for the benefit of public schools generate income. Common school lands produce two kinds of revenue: distributable income such as interest earnings, agricultural rents or crop shares, and timber sale revenue; and permanent income that is returned to the trust as income from the sale of minerals, land, and easements.

Box 1 is the distributable income. This common school land revenue includes leases, bonuses and timber sales under 18 million board feet. Revenue from timber sales over 18 million board feet is transferred to the school facility and technology fund ([20-9-516, MCA](#)).

□ **Mineral Royalties & Right-of-Way:** This portion is deposited directly into the common schools permanent trust and includes right-of-way and sales of extractable resources such as oil, natural gas, and coal.

## **General Fund Related Sources**

## **Guarantee Fund**

□ Common Schools Permanent Trust: The [Enabling Act](#) states that “proceeds from the sale and other permanent disposition of any of the said lands and from every part thereof, shall constitute permanent funds for the support and maintenance of the public schools and the various State institutions for which the lands have been granted.” The Common Schools Permanent Trust holds the school dedicated funds.

□ Costs & Transfer: The amount of revenue deposited to the guarantee fund is net of amounts diverted for DNRC administration costs and those deposited directly to the school facility and technology fund shown in Box 4. The administration costs diversion funds operational costs in the Department of Natural Resources and Conservation (DNRC) for common school lands. The school facility and technology fund receives timber revenue in excess of 18 million board feet ([77-1-218, MCA](#)). This reduces the amount of revenue distributable to the Guarantee Fund.

□ Investment Earnings: Funds in the Common Schools Permanent Trust are invested by the [Montana Board of Investments](#), with the interest earned available for distribution. The majority of revenue (Trust & Legacy investment earnings) comes from fixed-income investments. A small amount comes from short-term investments which is interest on the cash when it comes into the Montana Board of Investments and before it is invested in the longer-term Trust Funds Investment Pool.

□ Common School Trust Land Interest and Income: This amount is comprised of the income from leases, bonuses, and timber (Box 1) less costs and transfers (Box 4), plus interest from the Common Schools Permanent Trust (Box 5). The money is distributed as follows:

- 95% is transferred to the state special revenue guarantee fund which is statutorily appropriated for schools
- 5% is reinvested in the Common Schools Permanent Trust
- Interest & income in excess of \$56 million is deposited into the school major maintenance account

□ Additional transfers to the Guarantee Fund: The legislature has in the past transferred additional money into the Guarantee Fund. In FY 2012 through FY 2014, navigable river revenues were redirected from the school facility and technology fund to the common schools guarantee fund as a result of [HB 165 \(2011 Session\)](#). [SB 175 \(2013 session\)](#) transferred \$11.5 million from the state general fund to the Guarantee Fund to fund the ongoing costs of restructuring the K-12 funding formula. Finally, excess oil and gas revenues to school districts contribute to the Guarantee Fund revenues.

□ Guarantee Fund: This is the state special revenue fund ([20-9-104, MCA](#)) which is statutorily appropriated to schools in the form of BASE aid. It is comprised of common school interest and income and other appropriations and is the first source of state school funding.

**Statutory Reference:** [20-9-622, MCA](#)

**Applicable Tax Rates:** N/A

**Collection Frequency:** Revenue from DNRC is distributed to the guarantee fund in February and June. Payments from other agencies vary from month to month.

**Distribution:** Statutorily appropriated to schools in the form of BASE aid

### **Forecast Risks**

- Oil price
- Interest rates

### **Revenue Estimate Methodology**

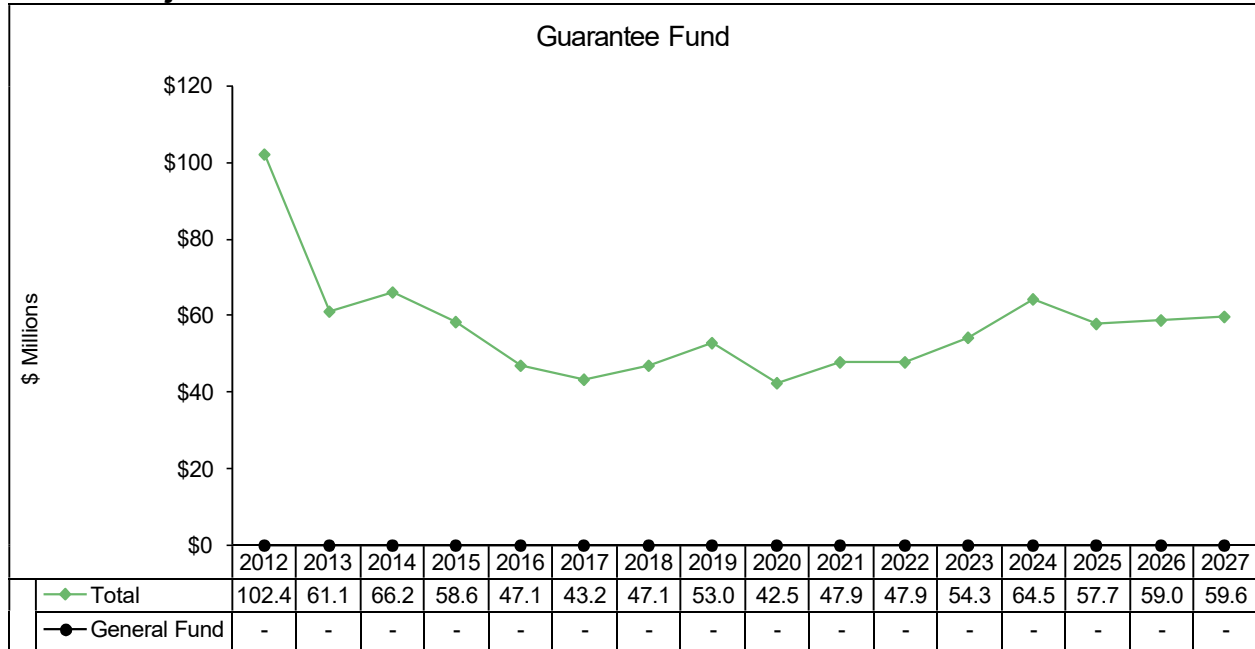
## General Fund Related Sources

## Guarantee Fund

The revenue for this source is primarily based on the estimate for Common Schools Interest and Income. Please see that section for more information on the revenue estimate methodology. Estimates of other transfers are based on statute.

## Revenue Estimate Assumptions

### Revenue Projection



### Revenue History

