LEGISLATIVE FISCAL DIVISION

Montana's Changing Demographics: 2026 Update

Written at the request of the Financial Modernization and Risk Analysis (MARA) Committee

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Montana's Changing Demographics: Executive Summary

Population Trends

- Montana is aging: 21.2% of residents are over age 65 (2024), ranking 8th nationally
- Retirement-age population will grow through 2030, then stabilize; youth cohorts continue to decline due to low fertility
- Natural population growth is near zero—future growth depends on net migration

Migration Patterns

- Net in-migration (2014–2024): About 101,400 people, driving 10.4% population growth
- Growth concentrated in urban and western/south-central counties; rural share of population fell from about 40% (2015) to 35.7% (2024)
- Migration slowed to pre-pandemic levels in 2024

Income & Poverty

- Montana's poverty rate: 11.5% in 2024, below U.S. average (12.5%)
- Per capita income growth outpaced U.S.
- New residents generally younger and wealthier, but aging will dominate long-term income trends

Revenue Implications

- Aging tax base and growth in retirement income—lower tax liabilities relative to income—may slow income tax collections over time
- Capital gains income (taxed at 4.1%) is growing, adding volatility to revenue streams

Service Demand

- Aging population → higher demand for health and elder services
- Declining youth population → reduced K-12 education demand, especially in rural areas
- Urban growth → increased infrastructure needs

Labor Market

- Labor force participation has declined due to aging, but is stable when controlling for aging
- Tight labor markets expected as migration slows; productivity gains via training and technology will be critical

MONTANA'S CHANGING DEMOGRAPHICS: 2026 UPDATE

This report updates previous Legislative Fiscal Division (LFD) analysis and reporting for the MARA Committee on population characteristics and trends in Montana. Previous versions of this report were published in January 2020, August 2021, and January 2024.

This report updates the findings of the previous reports with more recent data and includes an expanded analysis on the income characteristics of Montanans.

RESEARCH QUESTIONS

This update addresses two related research questions:

- **First, what are Montana's demographic characteristics?** Phrased another way, what is Montana's demographic makeup, how did we get here, and where do we expect to be in the future?
- **Second, what are the implications of Montana's demographic situation for state and local finance?** How can we expect the state's demography to impact public finance in the future?

DATA AND METHODOLOGY

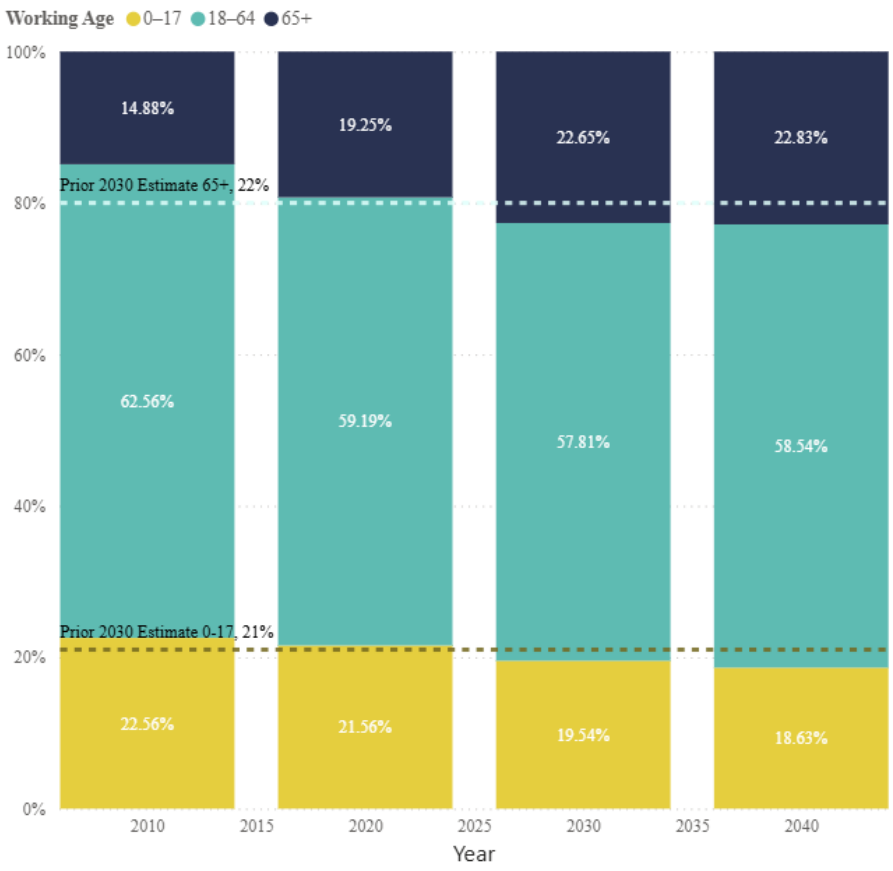
The primary dataset used for this report is from the U.S. Census Bureau (Census County Estimates). This dataset is created using the 2020 Census as a baseline.

This report also uses data from eREMI, which includes the years 1990-2060 (out years are projections). The eREMI data was obtained from the Montana Department of Commerce Census and Economic Information Center (CEIC.) The eREMI dataset projection was created specifically for Montana in 2023 and takes regional patterns into account. CEIC is in the process of obtaining updated population projection data as of the publication of this report.

FINDINGS

Statewide Population Aging

What is Montana's current and projected demographic characteristics? There are many ways to answer this question, but first consider the adjacent graph. Using data from eREMI, this graph shows projected change in major age cohorts in Montana as a percentage of the state population (2010-2040).

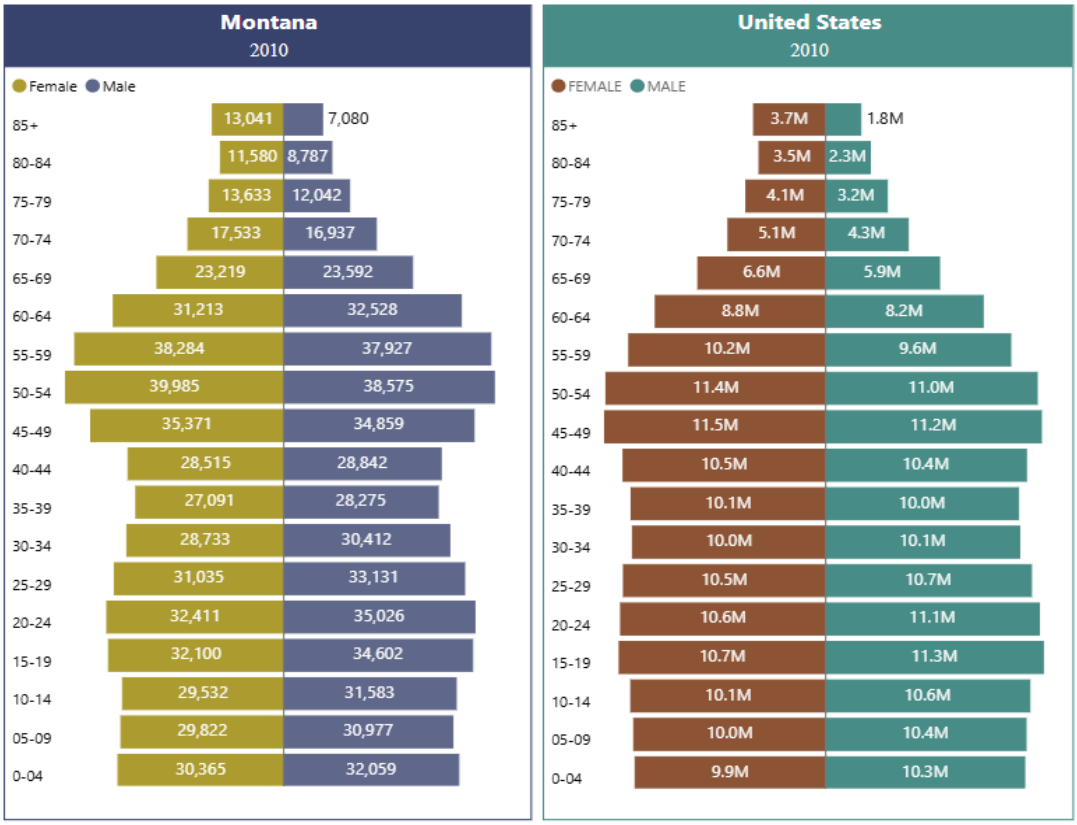


The proportion of children is projected to shrink slightly over the next 15 years while the working-age population proportion is projected to remain relatively flat. In the 2021 version of this report the proportion of children was projected to remain flat while the working-age population was projected to shrink. Fertility rates have continued to drop in the post-COVID era, a trend which is discussed in more detail later in this report.

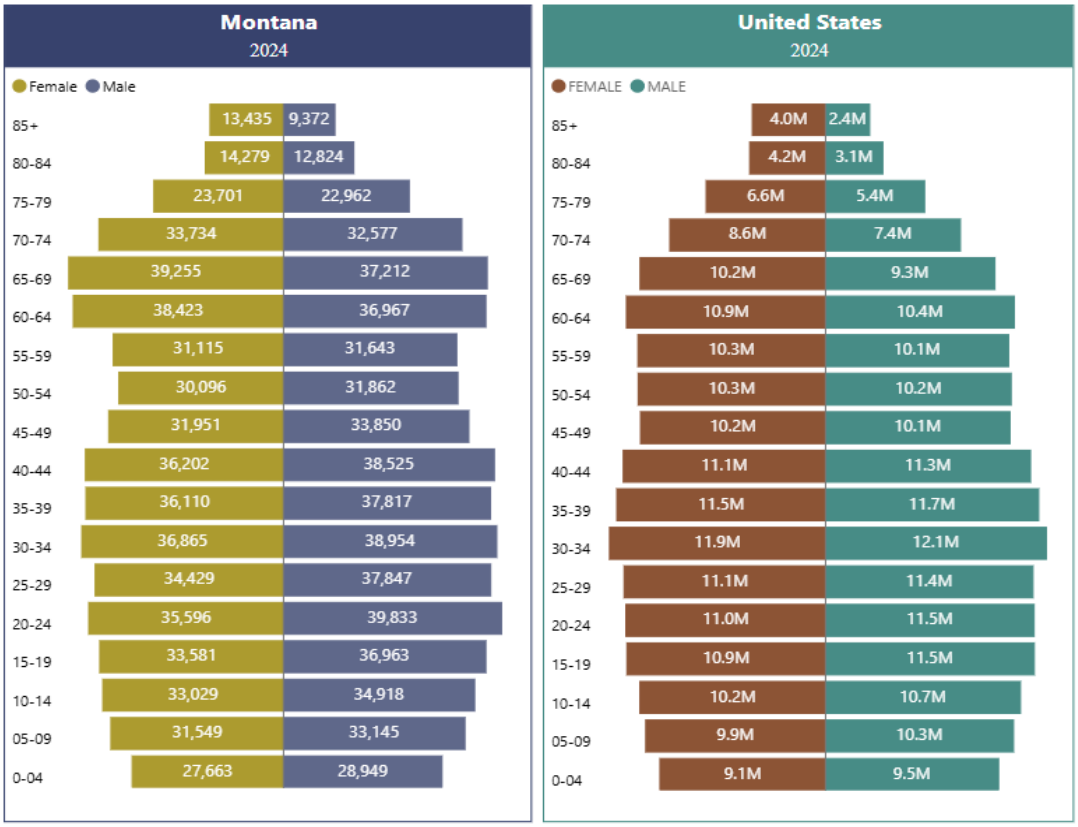
Finally, the retirement age proportion is projected to continue to grow into 2030 and then flatten out into 2040. Montana currently has the 8th highest percentage of population over age 65: about 21.2% in 2024. The oldest state by this metric is Maine at 23.5%. Montana's neighboring states are 20.0% over age 65 as of 2024 (Wyoming) or below. Idaho and North Dakota are 17.8% and 17.6%, respectively. The implications of statewide population aging are discussed later in this update.

The series of graphs below are population pyramids for Montana and the US for 2010 and 2024. Population pyramids are a standard graphic for illustrating a population's age/sex composition. They are called pyramids because when they were first used in the late 1800s, most populations looked like a pyramid, with far more people in the younger age cohorts than the older. As fertility has declined and populations have aged, the "pyramid" shape no longer applies in many cases.

Montana & United States, 2010
(data: US Census Bureau)



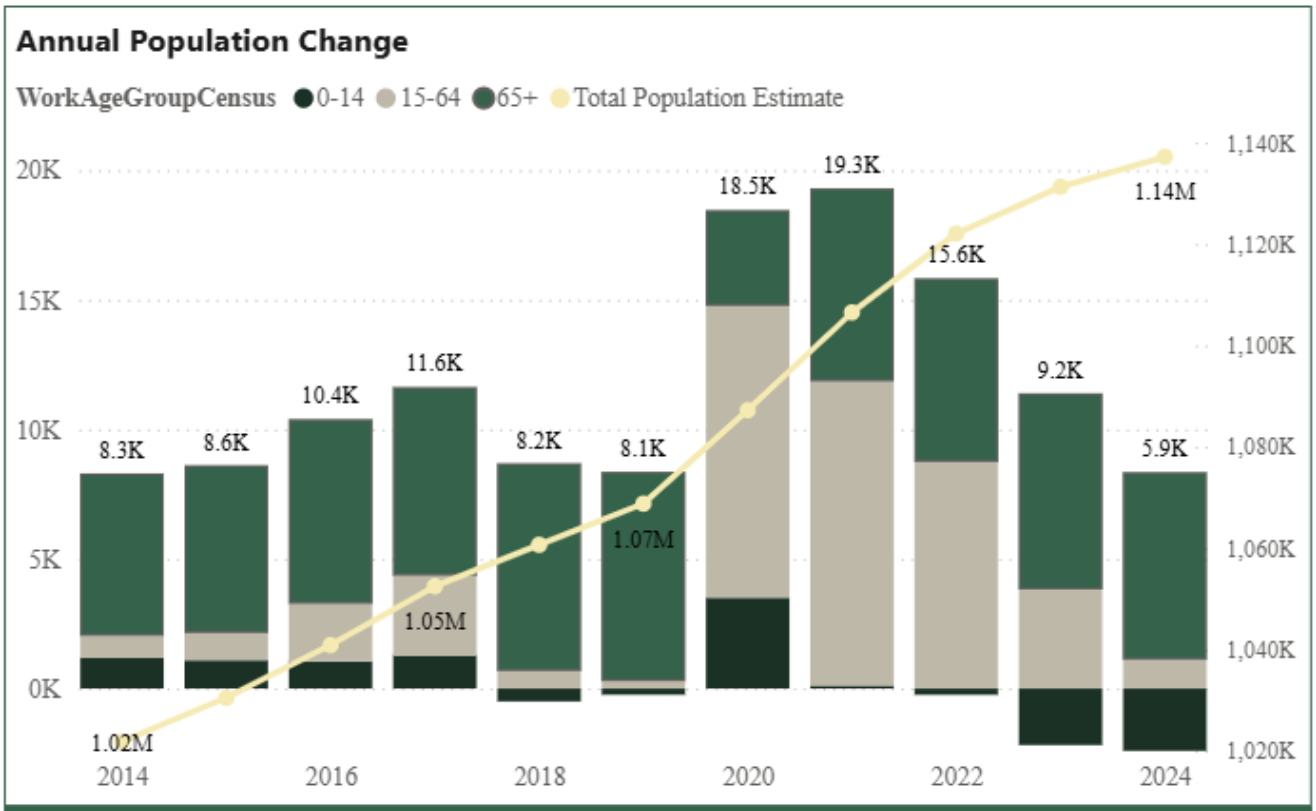
Montana & United States, 2024
(data: US Census Bureau)



Several takeaways from these population pyramids are apparent. First, the "baby boom" generation is clearly pronounced in both the 2010 and 2024 graphs and can be seen shifting upwards as time proceeds. Second, Montana is clearly older than the United States as a whole in both sample years. Third, the younger working-age cohorts (those in their 20s, 30s, and 40s) make up relatively more of Montana's population in 2024 as compared to 2010. This suggests a significant part of in-migration over the 2010-2024 period consisted of younger working-age persons. Fourth, the total number of children ages 0-4 has declined, while the population of children ages 5-15 has increased.

Population and Fertility Change in Montana

The graph below shows total population change in Montana by age cohort from 2014-2024. Data is from the U.S. Census Bureau.



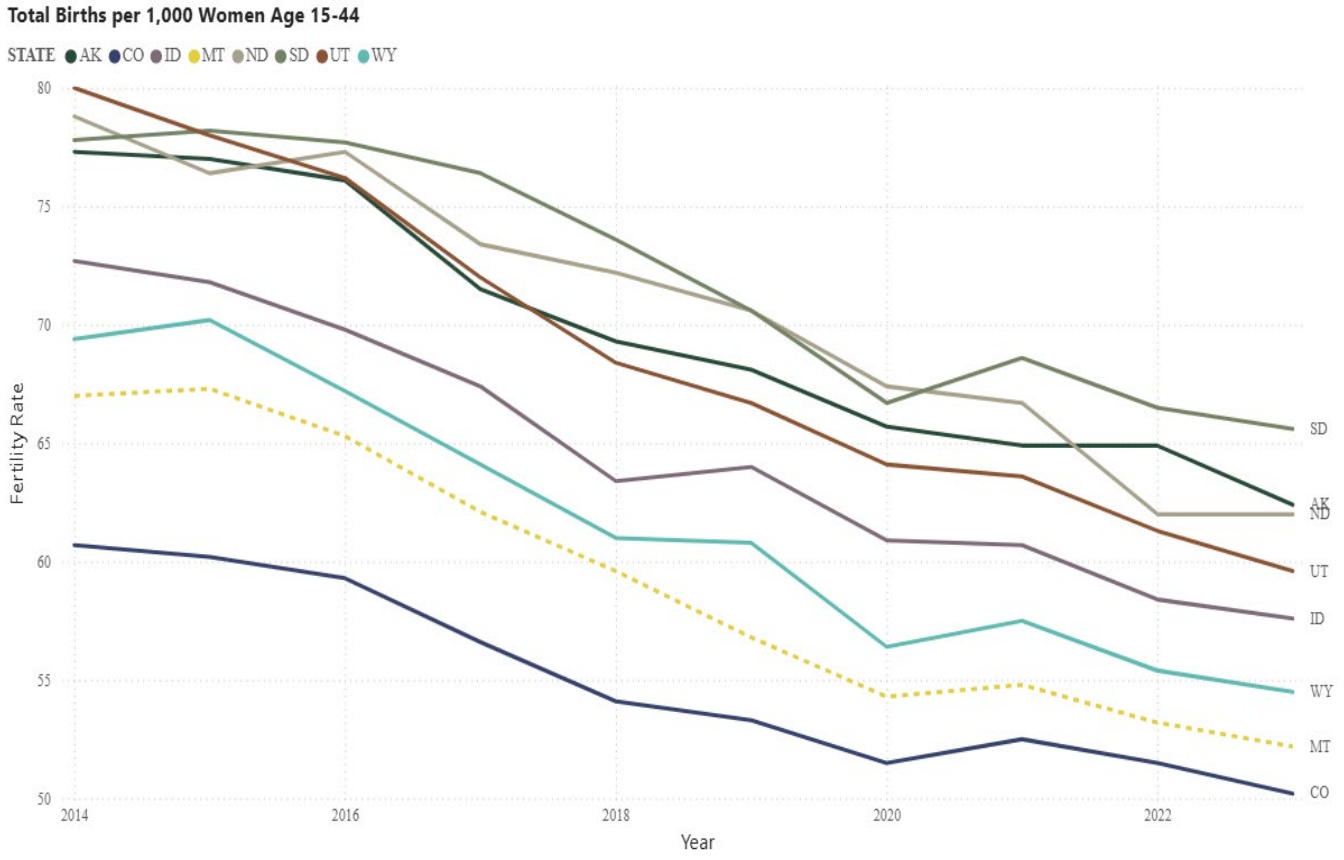
Ten Year Change in Total Population by Working Age Groups, 2014-2024

Youth - Non-Working	Working Age	Retirement Age Population
Ages 0–14	Ages 15–64	Ages 65+
365	43,076	63,317

NOTE: Data Sources: U.S. Census Bureau county populations estimates by age group

This graph shows the change in Montana population from year to year, with the total state population included as a line graph. Several takeaways are apparent: first, the state has experienced relatively strong growth over this time period, especially during and immediately following the COVID pandemic era. Second, the high growth experienced during COVID has receded, and the state population growth in 2024 mirrors the experience of 2015-2019. Third, growth is very low in the youth (0-14) age category and has turned negative in the last few years. This is reflective of low fertility, which is illustrated in the graph below. This graph shows birth rates in Montana and similar states (births per 1000 women age 15-44; data from the Centers for Disease Control and Prevention) by age cohort from 2014-2023.

The fertility rate has dropped consistently in the US since 2007, with the exception of a small rise from 2020 to 2021. Montana is not an exception to this national trend. The U.S. fertility rate in 2007 was 2.12 lifetime births per woman, just above the replacement rate of 2.1. The current U.S. fertility rate is about 1.6.



Montana and some similar states have exhibited a pattern of near-consistent decline in births since 2014. The Dakotas and Alaska are national outliers in birth rate but have still declined since 2007.

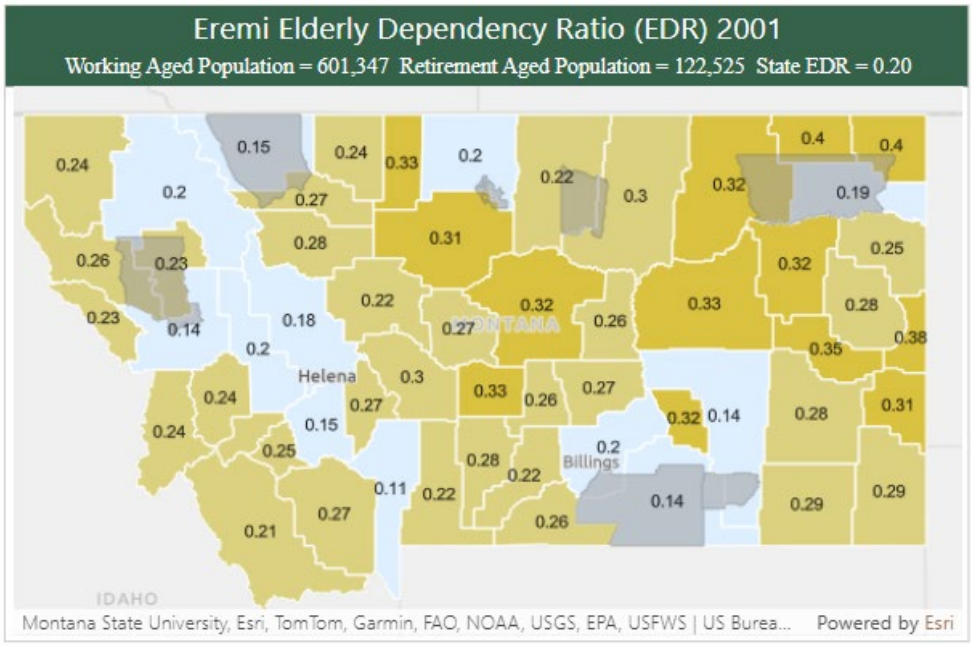
Low fertility and an aged population lead to the results shown in the following chart (data from the U.S. Census Bureau), where population growth is contingent on positive net migration. In the most recent year of data (2024), deaths exceed births in Montana.

Estimated Migration & Natural Growth (births minus deaths)

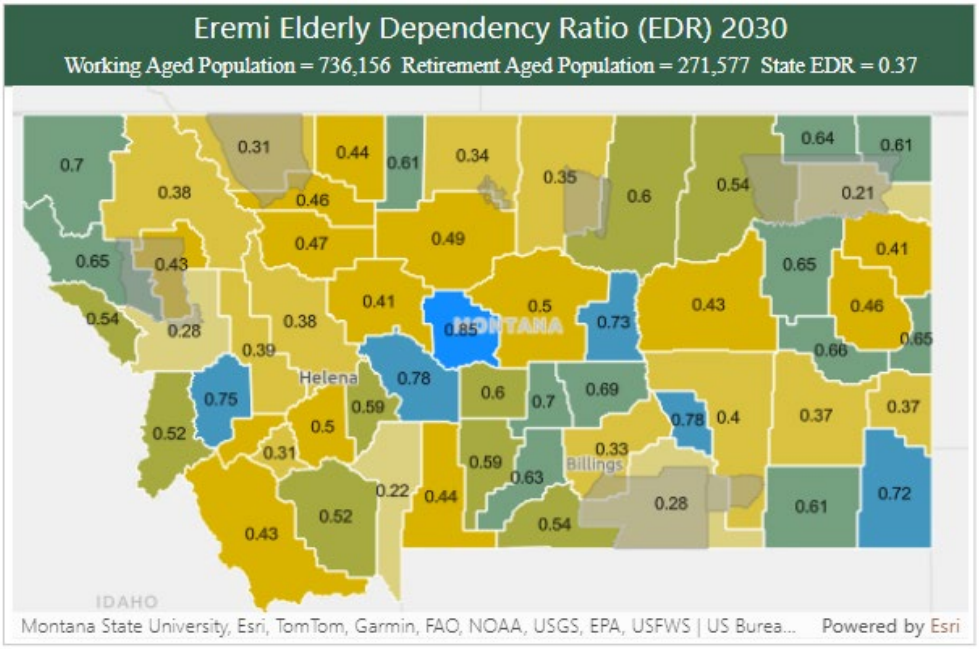
Aging by County

The maps below illustrate the retirement-age dependency ratio in Montana's counties in 2001 and 2030 (projected, data from eREMI). The retirement-age dependency ratio is the ratio of retirement-age persons to working-age persons in a given jurisdiction. A retirement-age dependency ratio of 0.3 means that for every 1 worker, there is 0.3 of a retirement-age person in the jurisdiction.

These maps illustrate two main points. First, the retirement-age dependency is projected to increase in every county in the state, and in many cases is projected to increase by a large margin. Second, this increase is not equally distributed across the state. In many cases, rural counties are expected to experience a larger increase in retirement-age dependency ratio than counties with larger cities.

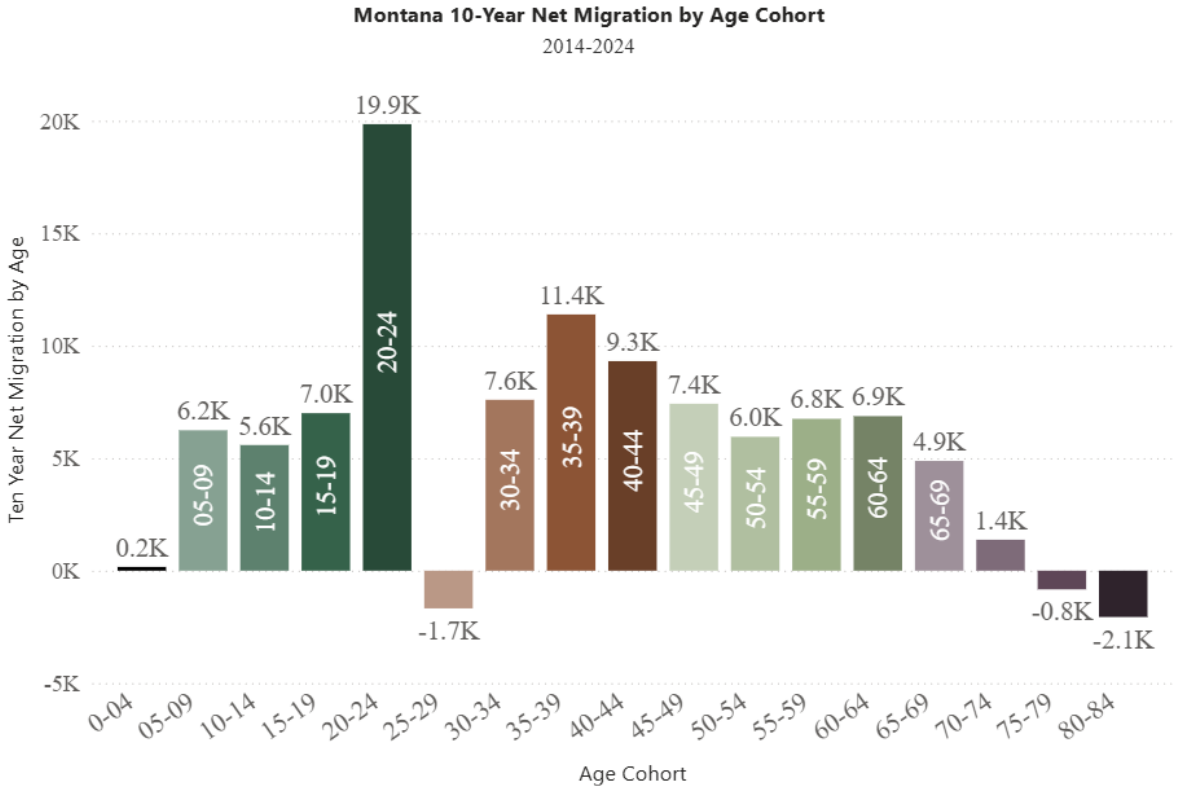


Note that increases in the retirement-age dependency ratio can occur because of more retirement-age persons moving to a jurisdiction, working-age persons leaving a jurisdiction, or both.

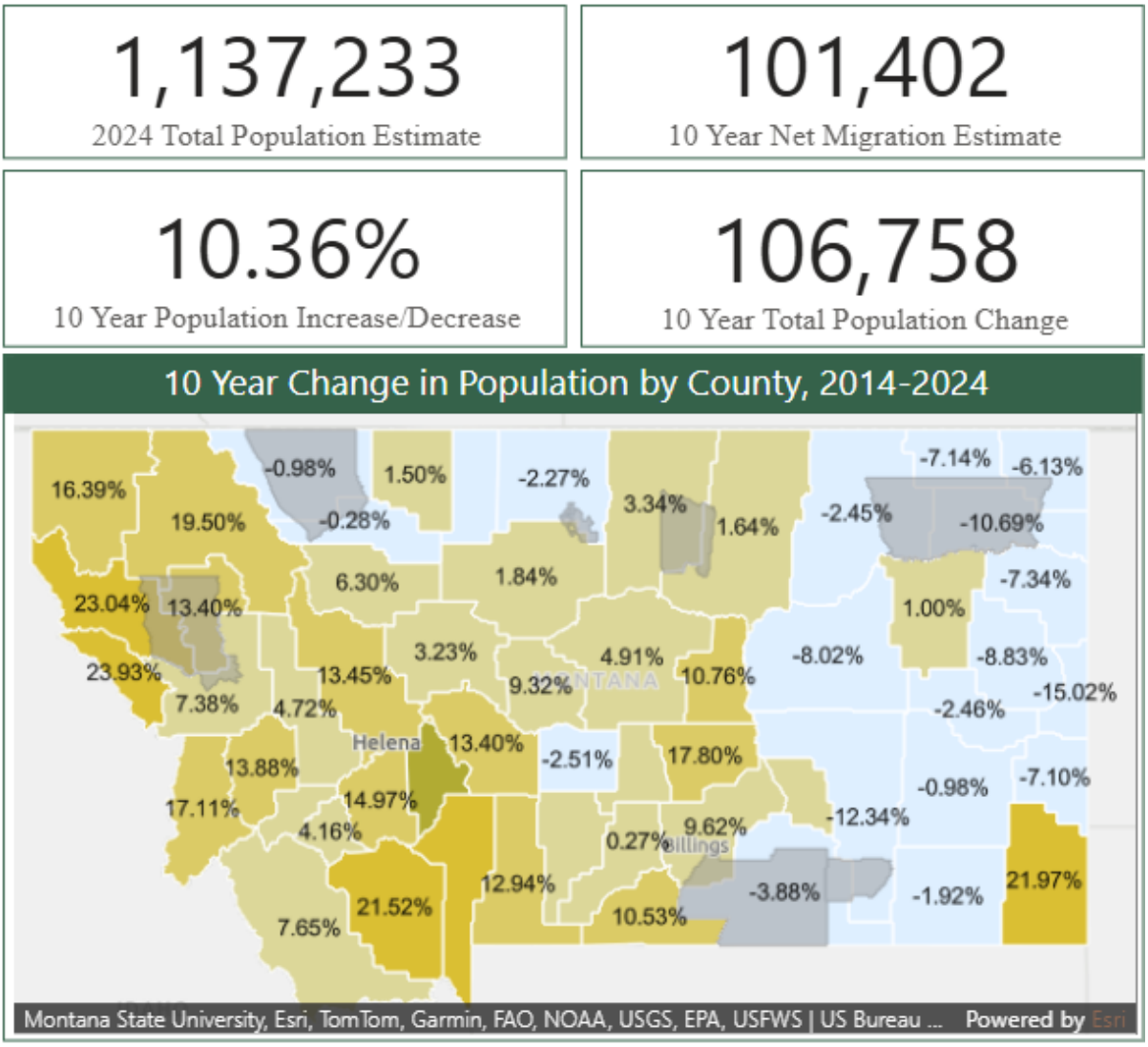


Migration Impacts

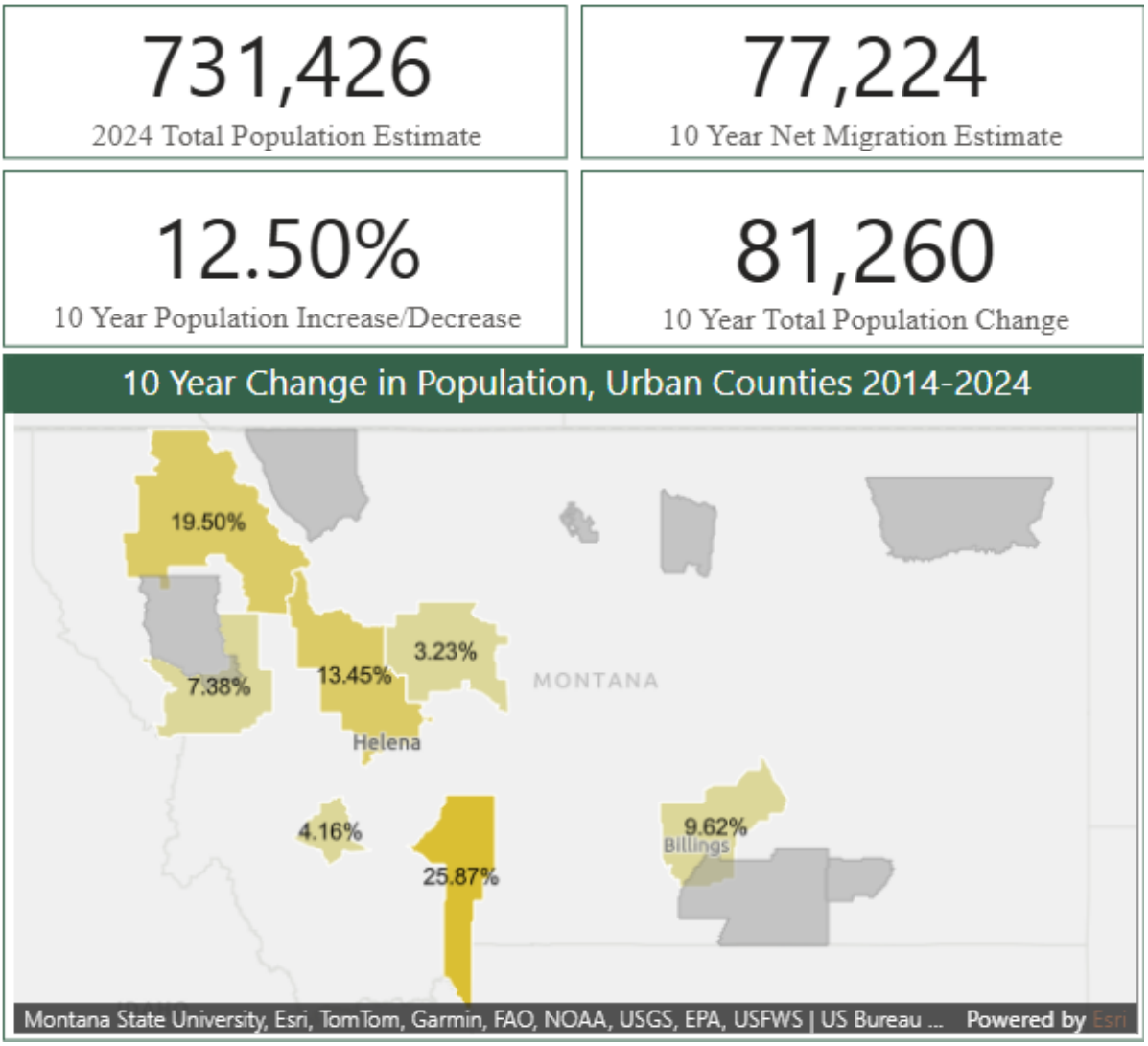
Along with aging, migration is another population process that will continue to shape Montana's demographic characteristics. The graph below shows statewide net migration by age cohort from 2014 to 2024. Over the 2014-2024 period, Montana had a net in-migration (migration from other states less migration to other states) of about 101,400 persons and total population growth of 10.4%. The largest amount of growth is among the college-aged cohort, many of which seem to have left the state before their 30s, partially offsetting the growth in the 25-29 and 30-34 cohorts. Growth among the "early retirement" cohorts (ages 55-64) is notable.



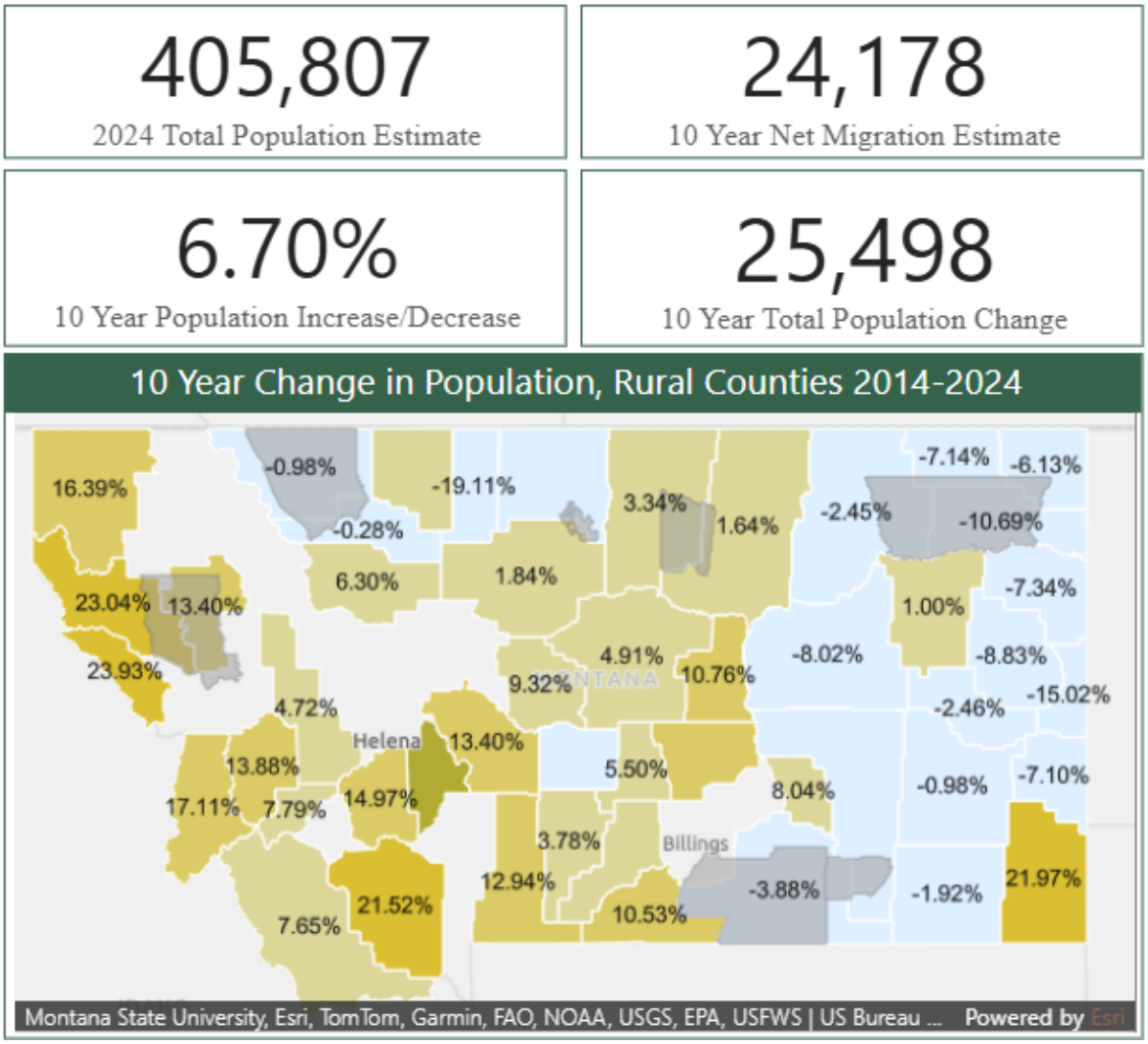
Like aging, migration is not evenly distributed across Montana. Consider first the below image, which shows a sum of ten-year migration patterns + natural population change across all counties. Gold indicates positive growth, and light blue indicates negative growth. Migration has led to population increases in western Montana and south-central Montana, but the opposite has occurred in parts of central, northern, and eastern Montana.



The image below shows ten-year net migration + natural population change for the counties with the seven largest cities. Darker shades indicate higher levels of growth. The majority of the state's population growth over the ten-year period is in these seven counties.



The image below displays the same information for Montana's rural counties. Blue shades indicate negative overall growth over the ten-year period. Despite positive net migration over the ten-year period the rural counties have a lower overall share of state population than they did ten years ago with 35.7% of total state population in 2024 compared with nearly 40% in 2015. Net migration + natural population change by age for the rural counties shows declines in the 0-4, 15-24, and 70+ age cohorts and increases in all other age cohorts. Unlike the statewide totals, the 30-34 cohort is the age group with the highest increase. Overall, the rural counties saw increases in working-age populations in the 2014-2024 timeframe.



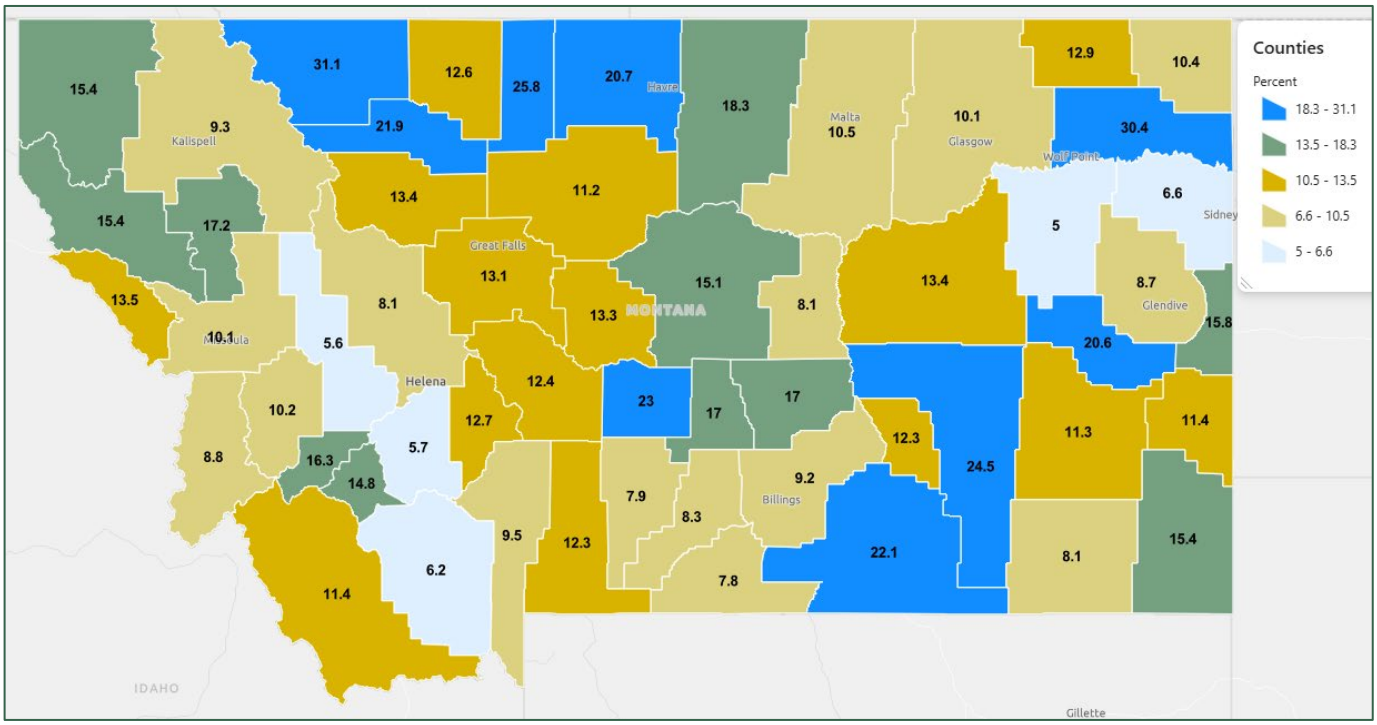
Income Characteristics & State Finance Implications

This section describes income characteristic trends in Montana as well as implications of demographic trends for revenues, service demand, and labor markets.

Income Characteristics: Poverty Trends

In 2024, Montana had an average poverty rate[1] for all people of 11.5% (+/- 0.3), which is statistically lower than the national rate of 12.5% (+/- 0.1). The map below (data from the U.S. Census Bureau) shows significant variation across counties in poverty rate.

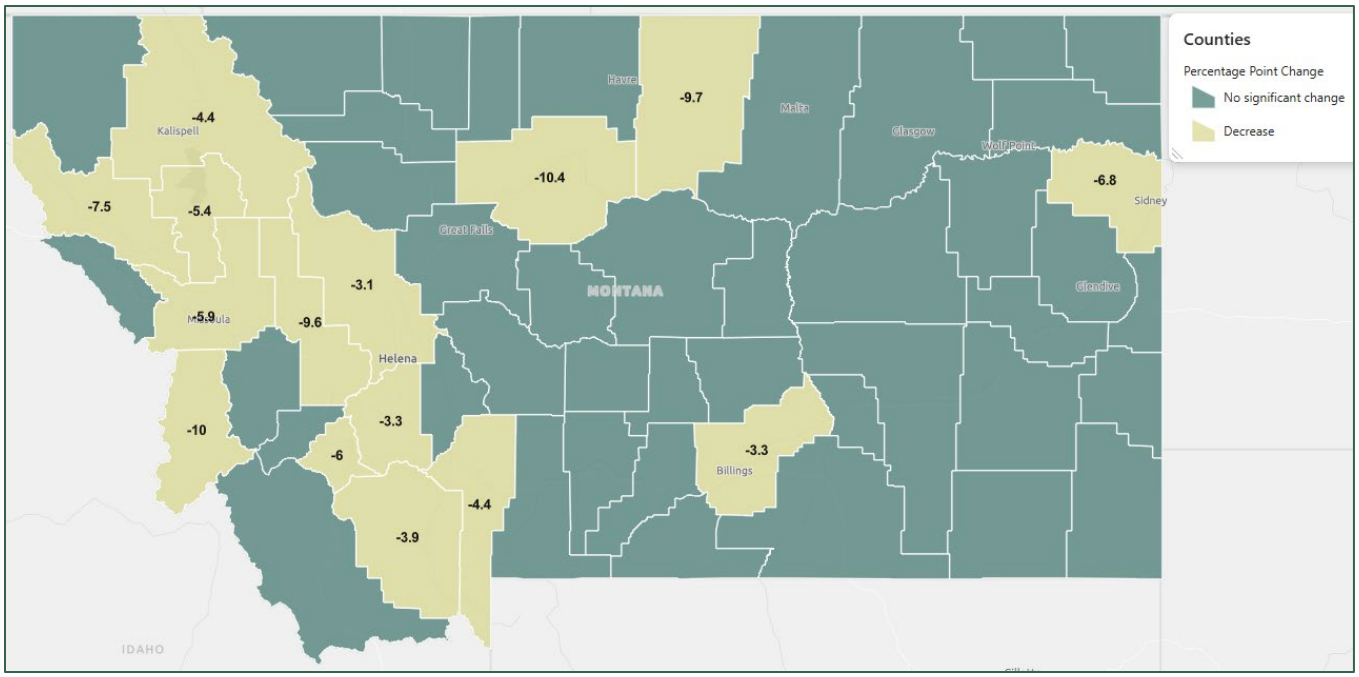
Percent of All People with Incomes Below the Poverty Level in the Past 12-Months (2024)



Over the 2014-2024 timeframe poverty rate has declined in a statistically significant fashion in 15 Montana counties. Over this period Montana per capita income has increased at a higher rate than the per capita income for the U.S. This plays out in the relatively lower Federal Medical Assistance Percentage, or FMAP, that determines the state share of Medicaid and some other programs. The graphic below illustrates this change (data from the U.S. Census Bureau).

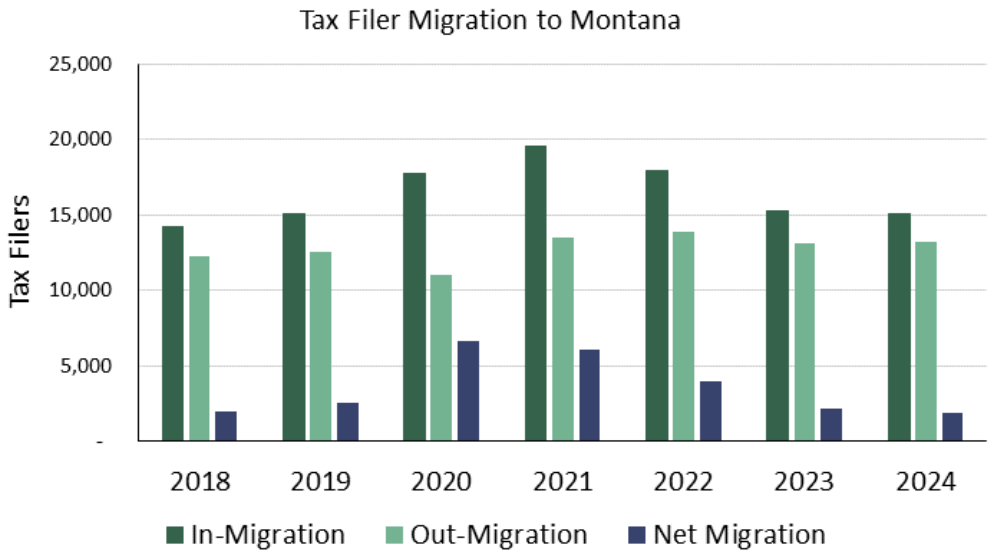
[1] Definition and calculation available at https://www.census.gov/topics/income-poverty/poverty/guidance/poverty-measures.html

Change in Percentage Points from 2014 to 2024 for
All People with Incomes Below the Poverty Level in the Past 12 Months



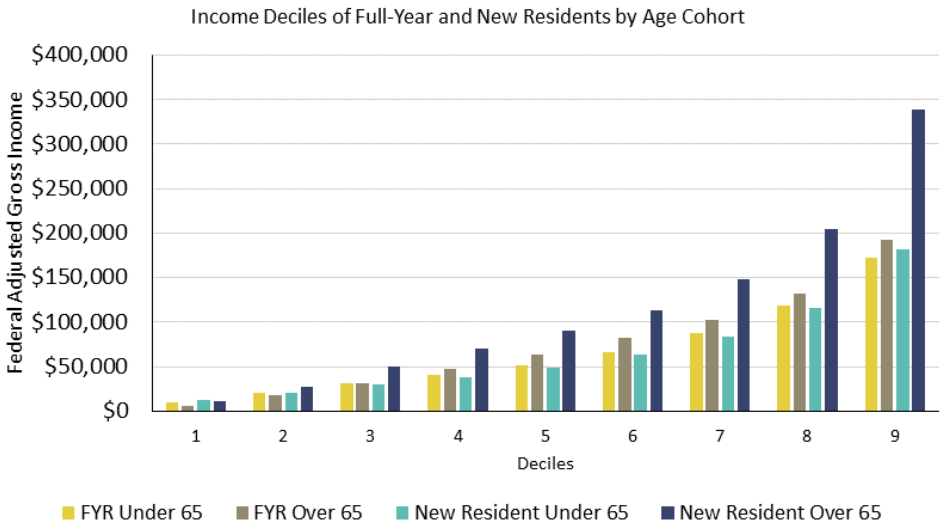
State Finance Implications: Revenues

In tax years (TY) 2020 through 2022, Montana experienced significant in-migration. The new taxpayers coming to the state were generally younger than the existing population, and on average had higher incomes, especially amongst the retirement-age cohort. However, the levels of in-migration to Montana experienced from 2020 through 2022 have slowed considerably, and in TY 2024 new partial-year resident tax filers to the state returned to pre-pandemic levels. The figure below shows the amount of tax filers moving to the state, leaving the state, as well as the net change in filers for TY 2018-2024.



The top five states that new filers arrived from were Washington, California, Colorado, Texas, and Oregon. Except for Texas, these same states were in the top five along with Idaho in TY 2021. The top five states that Montanans moved to in TY 2024 were Washington, Idaho, California, Oregon, and Colorado.

While the amount of new tax filers who moved to Montana in 2024 decreased, the types of taxpayers coming to Montana were like those who arrived between 2020 and 2022. Namely, they were generally younger, with similar incomes amongst the working-age individuals to much higher incomes for those new residents over the age of 65. For instance, in TY 2024, 26.2% of resident filers had at least one individual who was at least 65. In comparison, only 10.2% of new filers in TY 2024 were 65 or older. TY 2024 income deciles for both existing and new tax filers by age cohort (under/over 65) are shown in the figure below.



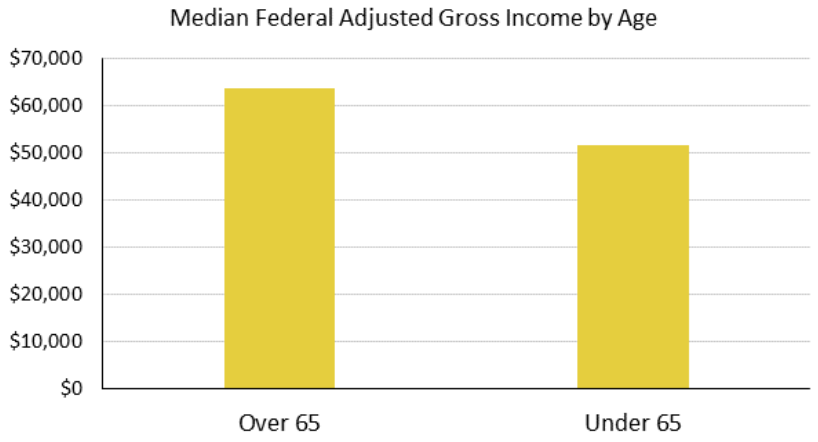
A study on individual income by age found that on average older residents have higher and more diverse incomes compared to younger residents. Furthermore, due to numerous provisions in federal and state statute, they also have lower tax liabilities relative to their incomes. At the time this study was conducted, the large influx of new residents to the state had only just begun, so the study in its very infant stages was focused on the impacts of an aging population of taxpayers.

Income Deciles Based on Federal Adjusted Gross Income				
Decile	FYR Under 65	FYR Over 65	New Under 65	New Over 65
1	$10,082	$6,245	$13,071	$11,027
2	$20,069	$17,436	$21,266	$27,574
3	$30,754	$30,920	$29,360	$49,598
4	$40,649	$46,839	$37,853	$70,153
5	$51,693	$63,662	$48,200	$90,286
6	$66,237	$81,751	$63,250	$113,123
7	$87,309	$103,122	$83,544	$147,633
8	$118,325	$132,256	$115,978	$205,055
9	$171,784	$192,631	$181,798	$339,515
10	above $171,784	above $192,631	above $181,798	above $339,515

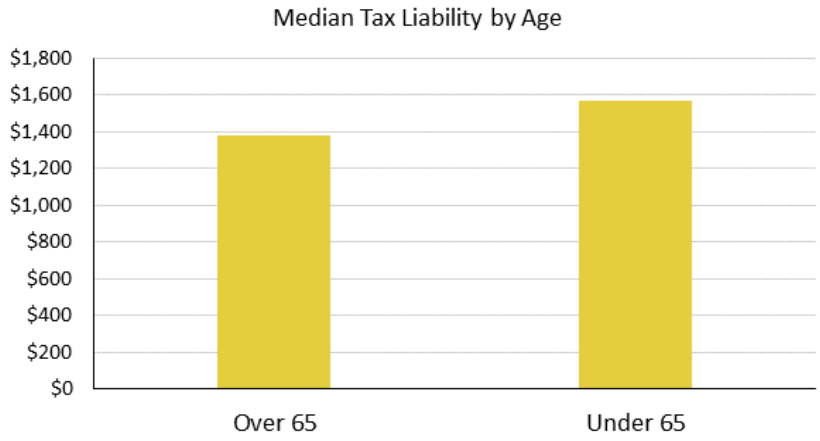
As Montana began experiencing high levels of in-migration in the summer of 2020, the series of analyses shifted towards new partial-year resident incomes. The analysis of partial-year resident income taxes began with an Individual Income Tax report in August 2021. Since then, two additional reports have been provided. The first looks at income levels of new residents who moved to Montana in calendar year (CY) 2020 and the second examines new residents in CY 2021 as well as how the incomes of these individuals changed after moving to Montana.

There are a few key takeaways from these studies. The first is that a younger cohort had been moving to Montana compared to the existing population. In TY 2024, even though in-migration slowed, this trend continued. Approximately 26.2% of individual income tax returns from full-year residents are from Montanans over the age of 65. However, this proportion was 10.2% for those new resident filers who moved to the state in TY 2024.

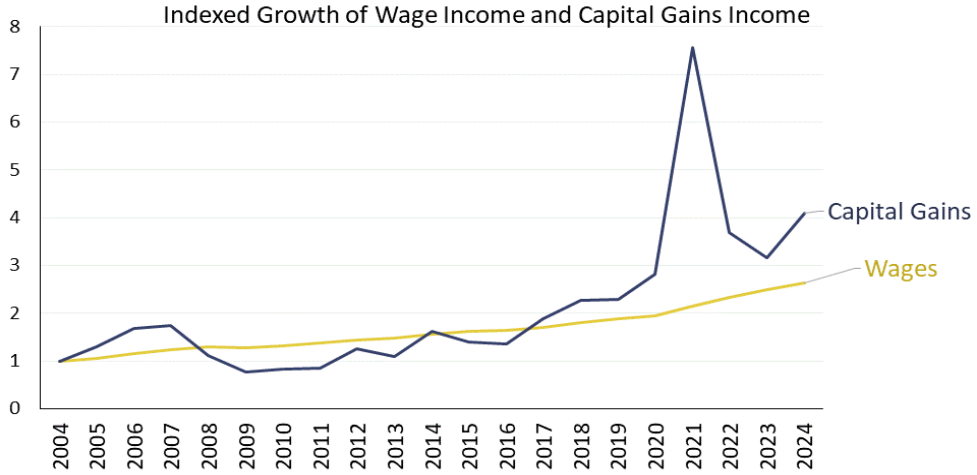
With in-migration slowing to pre-pandemic levels, Montana's tax base is likely to continue aging. Recent studies have shown that retirement income (pensions, social security, individual retirement accounts (IRAs)) have continued to outpace growth of other income types.



Taxpayers who claim retirement income generally pay a lower percentage of taxes on their total income. This is because subtractions are allowed for those over the age of 65 and social security benefits are never fully taxable. If aging trends continue indefinitely, income tax collections may noticeably slow due to previously mentioned policies. The two figures to the right illustrate this discrepancy between income levels and tax liability by age cohort.



Next, new filers' capital gains income generally made up a larger share of total income compared to full-year residents. Furthermore, a disproportionate share of capital gains income is claimed by retirement-age taxpayers. Capital gains income is taxed at a top marginal rate of 4.1%, compared to a top rate of 5.4% (beginning in TY 2027) for other incomes. This may also contribute to slowing income tax collections in future years, along with increased volatility if capital gains income continues to grow faster than wage income. The increased growth and volatility of capital gains income relative to wage income is illustrated in the figure above.



State Finance Implications: Service Demand

Montana's projected demographic changes may have significant implications for certain types of public services. Continued population aging could be expected to increase demand for retirement-age health services. The state's Medicaid program may see increased enrollment from age 65+ residents as there will be more retirement-age persons in the population, though available evidence suggests retirement-age migrants tend to be wealthier than average residents. Demand for other old-age health services, such as adult protective services and other programs intended to support the elderly could be expected to rise.

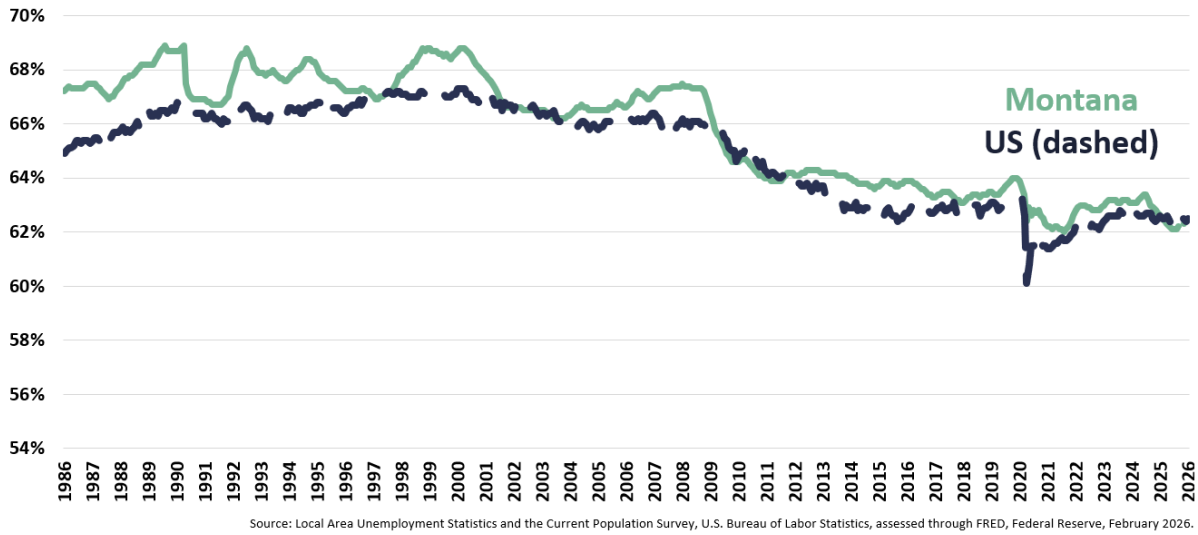
In some Montana counties, the population of youth has decreased over the last two decades and is expected to continue to decrease; a contributor to population aging as discussed above. This experience is especially significant in certain rural counties. A decrease in youth in a jurisdiction will lower the demand for the provision of K-12 education. The trends associated with a decrease in youth population have become more pronounced since the LFD started this report series in 2020.

The migration patterns discussed above will likely lead to varied service demand impacts across Montana's regions and counties. Increased populations in Montana's counties with large cities and certain southern and western Montana counties may necessitate increased infrastructure provision, including water, wastewater, and transportation. Increased numbers of youth in certain counties will demand the additional provision of K-12 education.

State Finance Implications: Labor Market Implications

The state's demographic trends have important implications for the labor force and the state's economy. The labor force includes everyone working or looking for work. Slow growth in the labor force can cause worker shortages, resulting in faster wage growth and plentiful job opportunities for workers, but also acting as a drag on economic growth because business can't find enough workers to make their products. The graph below illustrates the labor force participation rate (LFPR) for Montana and the U.S. for those over 16 years of age for the last 30 years. The LFPR among all Montanans aged 16 and over has declined from 68.8% in 2000 to roughly 62.4% at the end of 2025, following a similar decline as the U.S. This decline is not due to changing attitudes or aptitudes about work, but is instead due to the aging of the workforce.

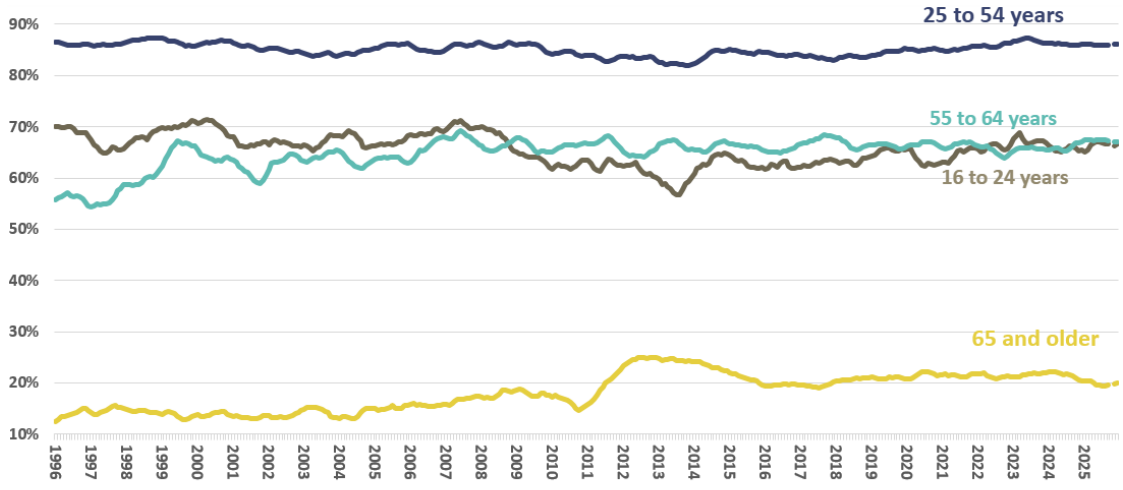
Labor Force Participation Rate for Montana and the U.S.



Source: Local Area Unemployment Statistics and the Current Population Survey, U.S. Bureau of Labor Statistics, assessed through FRED, Federal Reserve, February 2026.

Although the LFPR overall is in decline, the LFPRs for each age group have been roughly stable or increasing over the last thirty years, as shown in the next chart. Roughly 68% of Montanans aged 25-54 years are in the labor force in 2026 at the exact same rate as 1996. The decline in the overall LFPR is driven by the population aging and a greater share of Montanans falling into the 65 and older age group, with a smaller share of workers in the prime working age.

Montana Labor Force Participation Rates by Age



Source: Current Population Survey (CPS) Microdata available through IPUMS. Flood et al. IPUMS CPS. University of Minnesota, www.ipums.org.

Population growth, labor force participation, and migration all play roles in providing more workers for the Montana economy. In recent years, increased migration has helped fuel Montana's job growth by providing new Montanans available for work. With lower migration expected in the near future, tight labor markets are expected to continue in Montana.

One potential solution for tight labor markets is to increase worker productivity, allowing output to increase with the same number of workers. Increasing worker training and increased adaptation and use of technology (including Artificial Intelligence) are potential ways to increase the productivity of Montana's workers and continue economic growth despite a constrained workforce.

CONCLUSION

This report discusses Montana's demographic characteristics and the implications of the state's demographic changes for state and local finance. Population changes are important to understand as policymakers consider various potential changes in policy. This update discusses important aspects of demographic change for each age cohort in the state, with an emphasis on the fact that demographic change manifests in different ways across the state – certain counties are projected to grow older faster than other counties, and some counties have gained population over time while others have lost residents.

The projected change in age cohorts presents several takeaways. First, natural growth in the state population is very close to zero: absent an uptick in fertility, future growth will depend on Montana attracting residents from other places. Second, lower fertility means the youth population in the state is expected to slowly decline through 2040. This has led to slow or negative growth in the demand for the provision of K-12 education relative to other services, especially in certain regions of the state. Third, the working-age population in the state has grown (and will continue to grow) in real numbers but is projected to remain relatively stable through 2040. Fourth, the state's retirement-age population has grown in real numbers and proportion since 2000 and is expected to continue growing, although growth is projected to be flat between 2030 and 2040. This may increase the demand for some retirement-age public services.

Migration impacts different regions of the state in very different ways. Urban counties and western and south-central Montana have seen population growth due to migration, while many central, northern, and eastern counties have seen negative growth.

Migration to Montana from other states surged during 2020–2022 but slowed to pre-pandemic levels by 2024. New residents were generally younger with higher average incomes than current residents. Montana has an aging tax base that relies increasingly on retirement income and capital gains—both taxed at lower levels, which may slow revenue growth and increase volatility. Population aging will drive higher demand for health and elder services, while declining youth populations reduce K-12 education needs in many rural areas. In addition, urban regions will face infrastructure pressures from growing populations. Labor force participation, while healthy, continues to decline due to aging. If migration remains relatively low, tight labor markets will persist.

Consideration of demographic trends should be included in the modeling of future cost pressures for state government, local governments, and schools. Additional research and analysis of cost trends and demographic impacts will be needed to better understand the interaction between demographic change and public finance.