



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

Room 110 Capitol Building * P.O. Box 201711 * Helena, MT 59620-1711 * (406) 444-2986 * FAX (406) 444-3036

Director
AMY CARLSON

DATE: January 14, 2025

TO: Section D Appropriations Subcommittee on Public Safety

FROM: Walker Hopkins and Barb Wagner, LFD Staff

RE: Railroad Car Tax and HB103

The subcommittee requested information on the railroad car tax, including collections, base of taxation, and cause of revenue fluctuations. Further, the subcommittee requested information on the expenditures described in HB 103 and how they compared to the anticipated revenues.

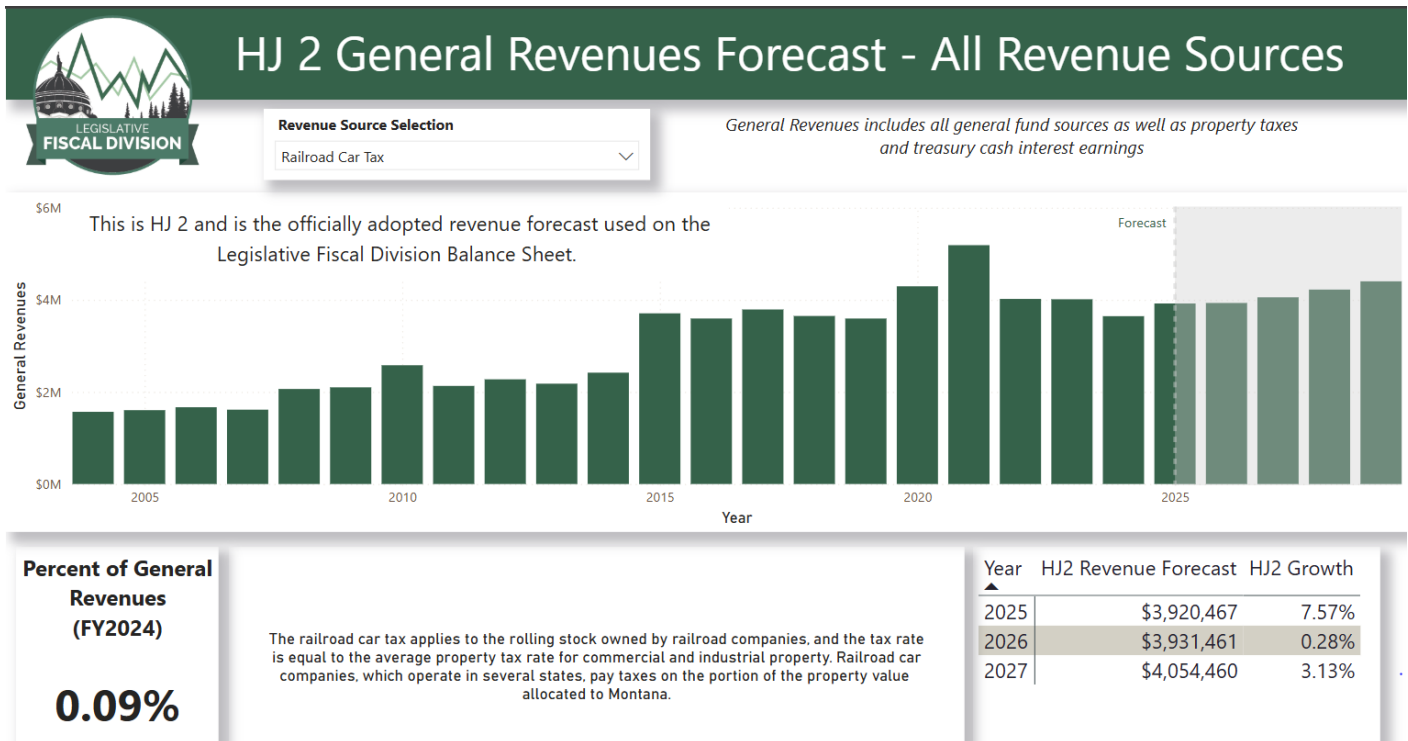
OVERVIEW:

HB 103 (Rep K. Zolnikov sponsor) would create the Montana Rail Inspection Program using 8.0% of the existing railroad car tax. The bill would establish a state special revenue account for the funds and provide a statutory appropriation to fund at least six PB. PB specifically mentioned in HB103 include three motive power and equipment inspectors, two track inspectors, one operating practice inspector, and additional staff if needed. The Railroad Car Tax is a centrally assessed property tax established in 15-23-211 through 15-23-216.

Currently, there are two PB dedicated to rail inspection. These PB are currently included in the Public Service Commission base budget and funded using state special revenue derived from the public service commission fee.

REVENUES:

The Railroad Car Tax is assessed on the value of the rolling stock owned by the railroad company. The property is centrally assessed, meaning that the total value across all states apportioned to Montana using the number of car miles within the state. The assessed value is then multiplied by the average levy to determine the tax amount. The amount of tax collected varies based on (1) average levy, (2) valuation of the railcars and their contents, and (3) the amount of rail traffic. Additional information on the railroad car tax can be found at <https://mtrevenue.gov/wp-content/uploads/2019/01/MT-Railcar-Information-2019.pdf>.



The screenshot above illustrates the railroad car tax collections and forecasted revenues available in the Legislative Fiscal Division's interactive revenue tool available at <https://www.legmt.gov/lfd/interactive-tools/>. Collections for the railroad car tax peaked in FY2021 during the pandemic, likely due to an increased value of goods shipped by rail. During the pandemic, consumers shifted their purchases from services (such as restaurants and travel) to goods, resulting in increased volume of physical goods shipped. Revenues returned to the pre-pandemic trend in FY2022.

In FY2024, revenues dipped again due to a decline in the statewide average levy. The average mill levy declined because the sharp increase in residential and commercial property values triggered a reduction of mills consistent with the float requirement in MCA 15-10-420, ultimately shifting the property tax burden to residential and commercial property and away from the centrally assessed property. Revenues in the future are expected to steadily increase due to continued increases in the demand for goods shipped by rail. Economic fluctuations and increases in residential and commercial property values will continue to cause volatility in the actual amount of railroad car tax collected, but the funding source is generally stable.

HB 103 IMPACT

Information on the impact of HB 103 from the fiscal note is illustrated below, with roughly \$315,000 to \$352,000 diverted from the general fund to the newly established special revenue account for rail inspection.

HB 103 also requires the employment of six PBs, specifically requiring the agency to hire three motive power and equipment inspectors, two railroad track inspectors, one operating practice inspector, and additional staff needed to administer the program. Based on the estimated salaries and benefits for FY 2026, the total cost of these six PB will exceed the estimated revenues diverted into the Rail Inspection Special Revenue account. However, the agency currently employs two of these railroad inspection staff, which are funded in

the base budget using a different state special revenue fund. It is not clear whether these existing PB would move to the newly established Rail Inspection Account or remain on the existing funding mechanism. Considering only the new PB, the annual costs for the four new PB would be roughly \$424,800 annually.

FY	8.0% to Rail Inspection		
	Total Rail Car Revenue	Special Revenue Account	Estimated Costs of 6PB in HB 103*
2026	\$ 3,931,000	\$ 315,000	\$ 628,200
2027	4,054,000	324,000	637,200
2028	4,222,000	338,000	637,200
2029	4,401,000	352,000	637,200
*The 6 PB required in HB103 are not included in the fiscal note. Estimate created by LFD.			