



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: March 10, 2016

TO: Revenue & Transportation Interim Committee

FROM: Stephanie Morrison

RE: CY 2014 Taxpayer Data Update

The Legislative Fiscal Division receives individual income tax return data with all identifying information removed each year from the Department of Revenue (DOR). There are two important dates that DOR has to consider when compiling the tax return data:

- o The due date for returns filed on extension is October 15th
- o The revenue estimating meeting for RTIC is typically the third week in November of even-numbered years

DOR strives to ensure that the maximum number of October returns is processed, while still delivering the data file with ample time to produce a revenue estimate for RTIC. Every year, some returns don't make the cut; however, the number of returns is small relative to the full dataset (about 1%) and the income represented by the uncounted returns is also small in comparison (about 3%).

While researching an unrelated issue, Dan Dodds at DOR and I discovered that a small number of high-income returns had been excluded from the CY 2014 tax return dataset. The omission will not have a direct impact on the revenue estimates presented to RTIC in November, as those estimates will be based on CY 2015 tax return data. However, to maintain consistency in the individual income sub-models and to produce the most accurate estimate for the 2019 Biennium Outlook Report in June (which will be based on CY 2014 tax return data), I requested and received an updated CY 2014 tax return dataset.

The [General Fund Updated Revenue Trends](#) presented to RTIC in December 2015 was based on the initial CY 2014 tax return dataset. Various options for including the new CY 2014 data into the forecast for the 2019 Biennium Outlook Report are currently under consideration. Regardless of the how the new data is incorporated, it is likely to result in changes to individual income tax forecast relative to the December analysis. The final adjustments will be summarized in the 2019 Biennium Outlook Report, and a more detailed analysis can be provided to RTIC if requested.