

Legislative Fiscal Division

Tax Update

By
Terry Johnson
Through February 28, 2005

Figure 1 Corporation Income Tax Comparison				
Revenue Code & Description	Through 2/28/2004 Fiscal 2004	Through 02/28/05 Fiscal 2005	Difference	Percent Change
510501 Corporation Tax	16,046,080.01	8,901,713.64	(7,144,366.37)	-44.52%
510505 Corporation Tax Estimated Paym	27,458,576.44	38,193,826.17	10,735,249.73	39.10%
510502 Corporation Tax Refunds	(11,644,735.37)	(7,520,606.91)	4,124,128.46	-35.42%
510503 Corporation Tax-Audit Collect.	3,724,964.00	2,226,938.00	(1,498,026.00)	-40.22%
Totals	\$35,584,885.08	\$41,801,870.90	\$6,216,985.82	17.47%
Percent of Actual/Estimated	52.54%	63.02%		

Figure 2 Individual Income Tax Comparison				
Revenue Code & Description	Through 2/28/2004 Fiscal 2004	Through 02/28/05 Fiscal 2005	Difference	Percent Change
510101 Withholding Tax	300,091,940.54	320,028,410.21	19,936,469.67	6.64%
510102 Estimated Tax	90,706,567.37	126,121,979.83	35,415,412.46	39.04%
510103 Current Year I/T	6,478,341.01	5,211,611.07	(1,266,729.94)	-19.55%
510105 Income Tax - Audit Collections	8,733,106.00	16,870,600.18	8,137,494.18	93.18%
510106 Income Tax Refunds	(52,144,798.70)	(59,972,717.11)	(7,827,918.41)	15.01%
Totals	\$353,865,156.22	\$408,259,884.18	\$54,394,727.96	15.37%
Percent of Actual/Estimated	58.43%	69.22%		

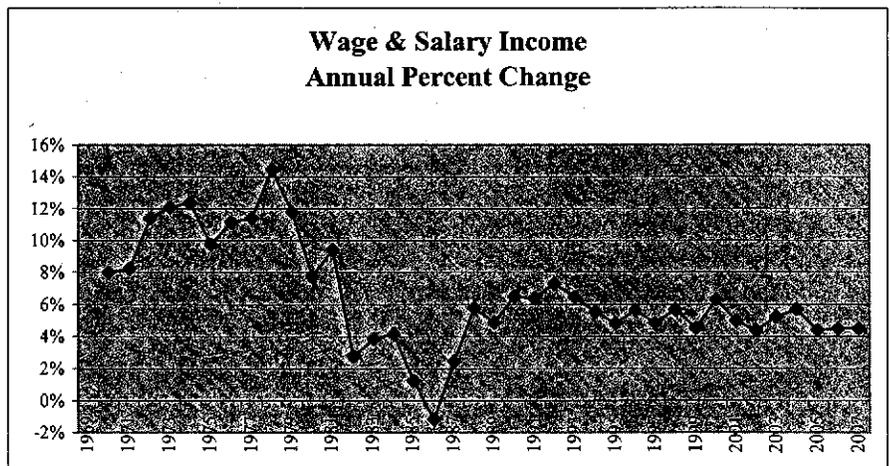
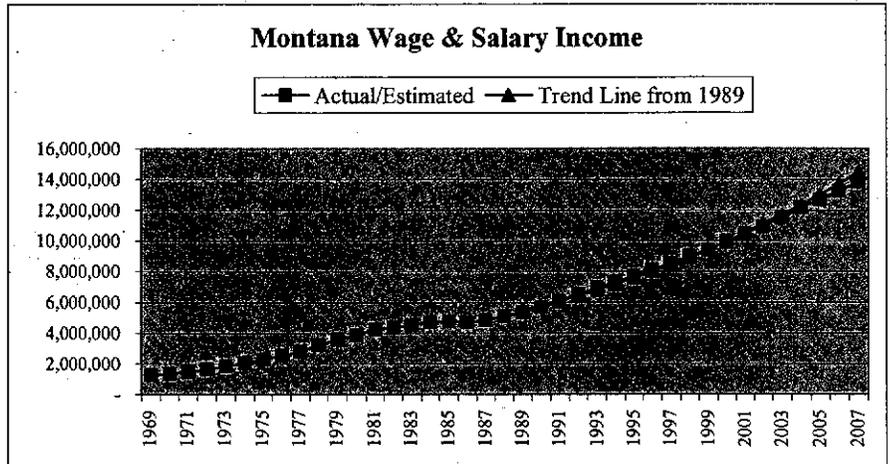
Legislative Fiscal Division


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Source : US Department of Commerce, Bureau of Economic Analysis (BEA)

Calendar Year	Montana Wage & Salary Income(x1000)	Percent Change
A 1969	1,259,884	
A 1970	1,360,438	7.98%
A 1971	1,472,350	8.23%
A 1972	1,640,224	11.40%
A 1973	1,838,386	12.08%
A 1974	2,065,941	12.38%
A 1975	2,267,153	9.74%
A 1976	2,520,183	11.16%
A 1977	2,807,633	11.41%
A 1978	3,214,108	14.48%
A 1979	3,592,950	11.79%
A 1980	3,870,370	7.72%
A 1981	4,234,524	9.41%
A 1982	4,351,899	2.77%
A 1983	4,519,890	3.86%
A 1984	4,707,502	4.15%
A 1985	4,766,846	1.26%
A 1986	4,710,548	-1.18%
A 1987	4,826,264	2.46%
A 1988	5,104,987	5.78%
A 1989	5,353,505	4.87%
A 1990	5,701,426	6.50%
A 1991	6,065,946	6.39%
A 1992	6,507,517	7.28%
A 1993	6,927,503	6.45%
A 1994	7,310,598	5.53%
A 1995	7,661,643	4.80%
A 1996	8,093,740	5.64%
A 1997	8,485,743	4.84%
A 1998	8,965,663	5.66%
A 1999	9,371,592	4.53%
A 2000	9,963,256	6.31%
A 2001	10,457,990	4.97%
A 2002	10,914,900	4.37%
A 2003	11,484,720	5.22%
F 2004	12,139,349	5.70%
F 2005	12,673,480	4.40%
F 2006	13,243,787	4.50%
F 2007	13,839,757	4.50%

Annual Growth 1969-2003	6.72%
Annual Growth 1979-2003	4.96%
Annual Growth 1989-2003	5.60%
Annual Growth 1999-2003	5.21%



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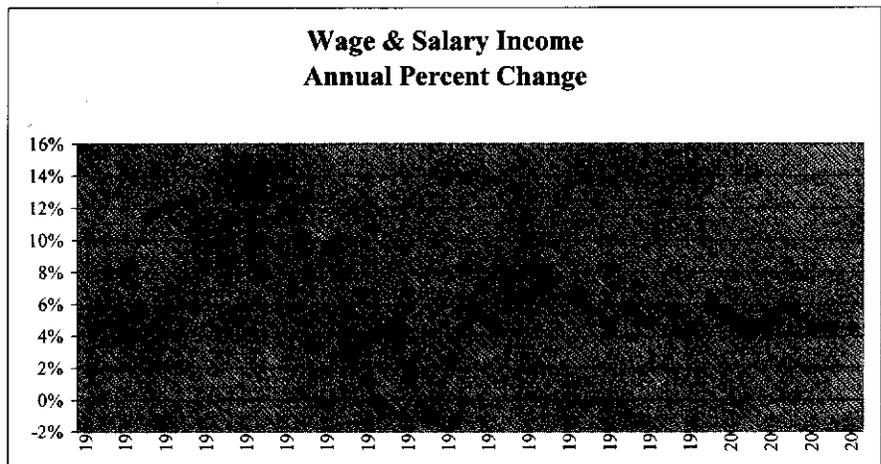
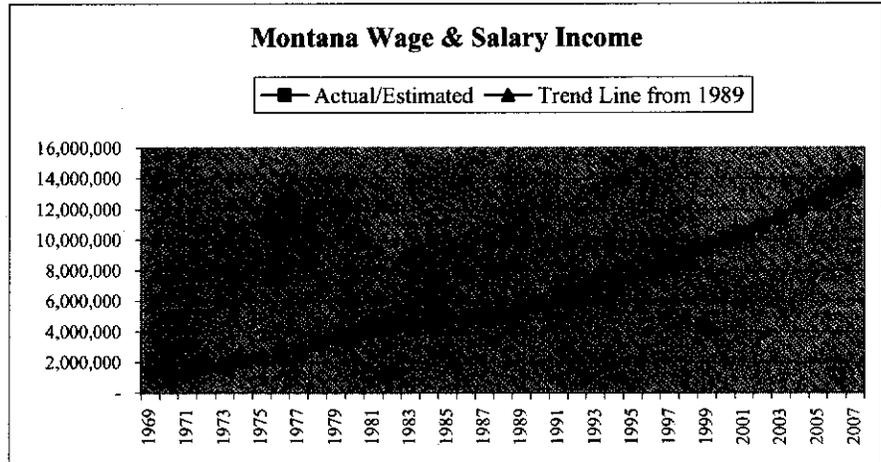
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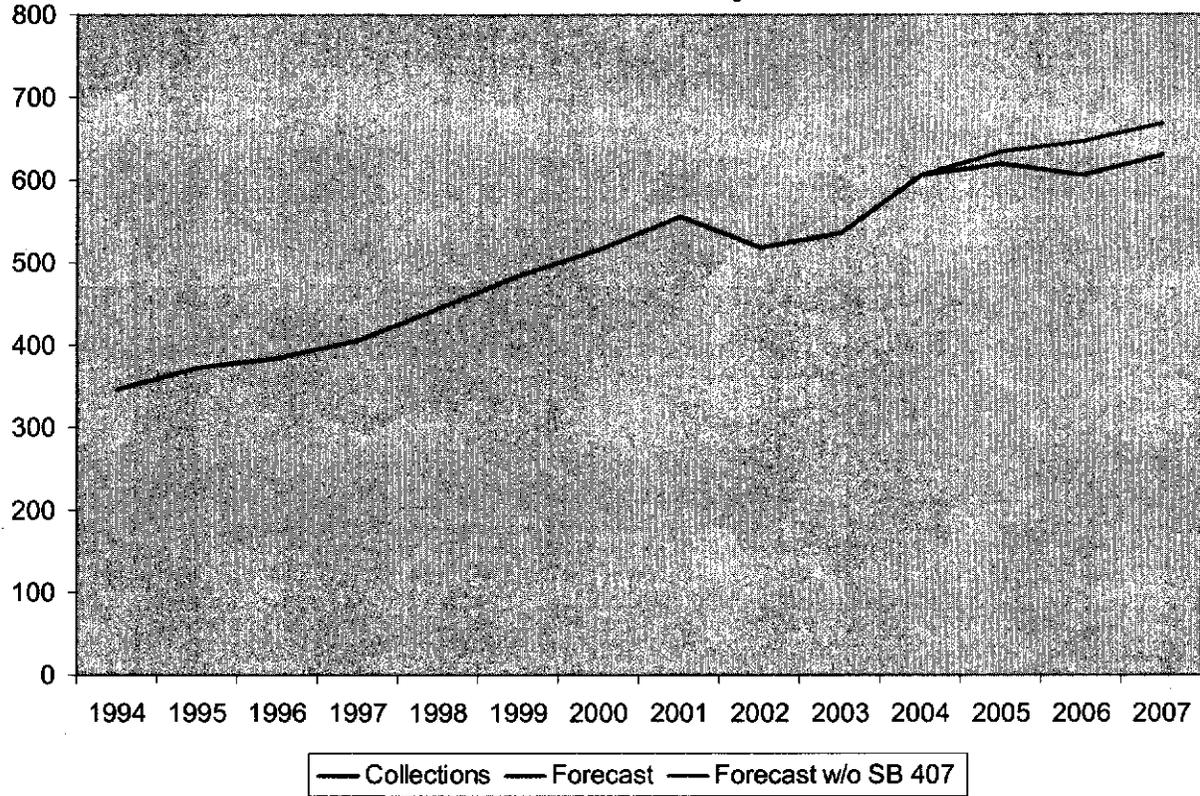
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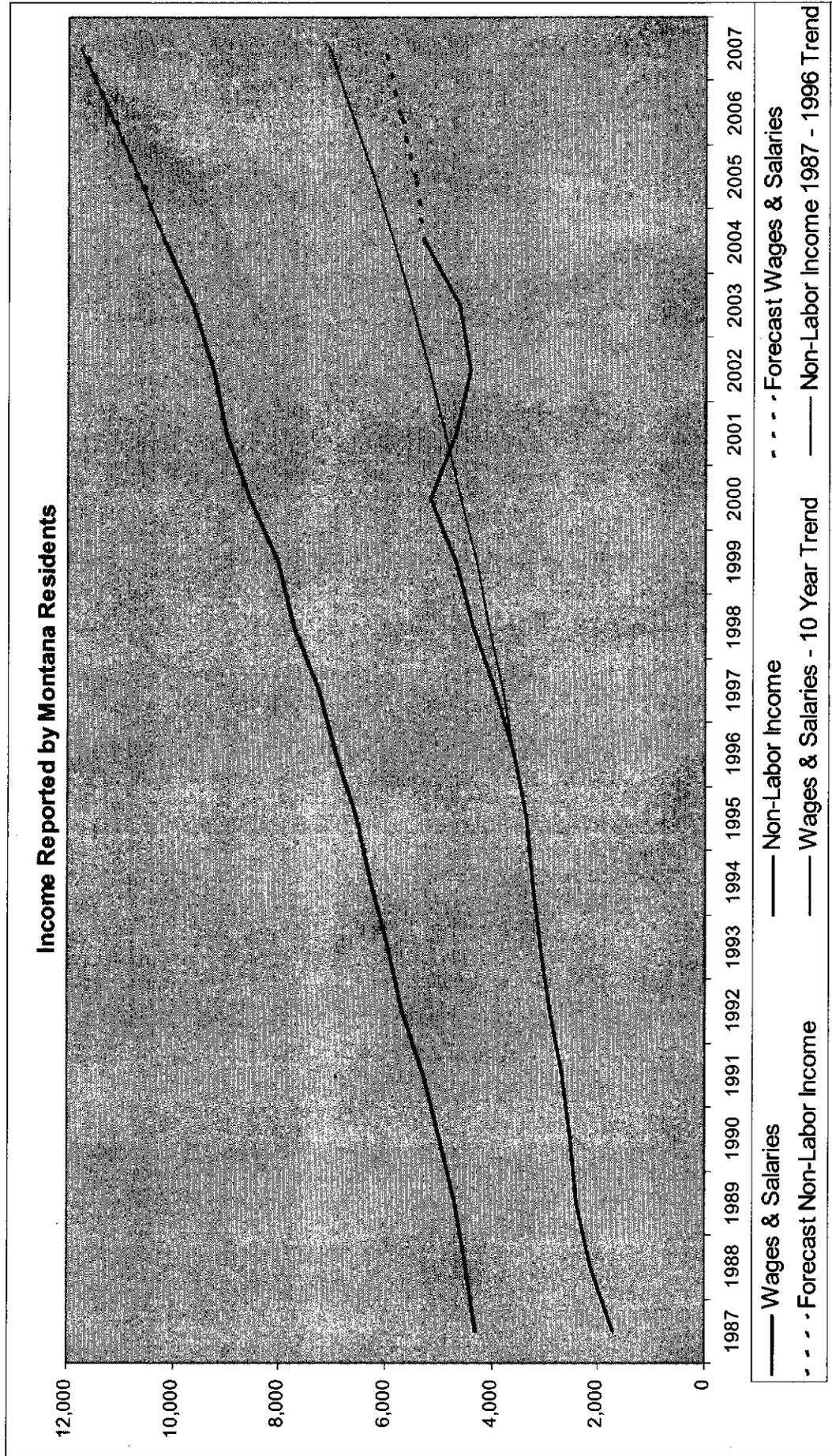
Income Tax Collections History and Forecast



Income Tax Revenue Average Annual Growth Rates	
Fiscal Years	% change
1984 - 1989	9.2%
1989 - 1994	5.4%
1994 - 1999	6.9%
1999 - 2004	4.6%
2004 - 2007	1.3%
2004 - 2007 w/o SB 407	3.4%

Impact of SB 407	
Fiscal Years	\$ million
2005	(14)
2006	(40)
2007	(39)

**Forecast Income Growth
Wages and Salaries to continue trend
Non-Labor Income to return to trend**



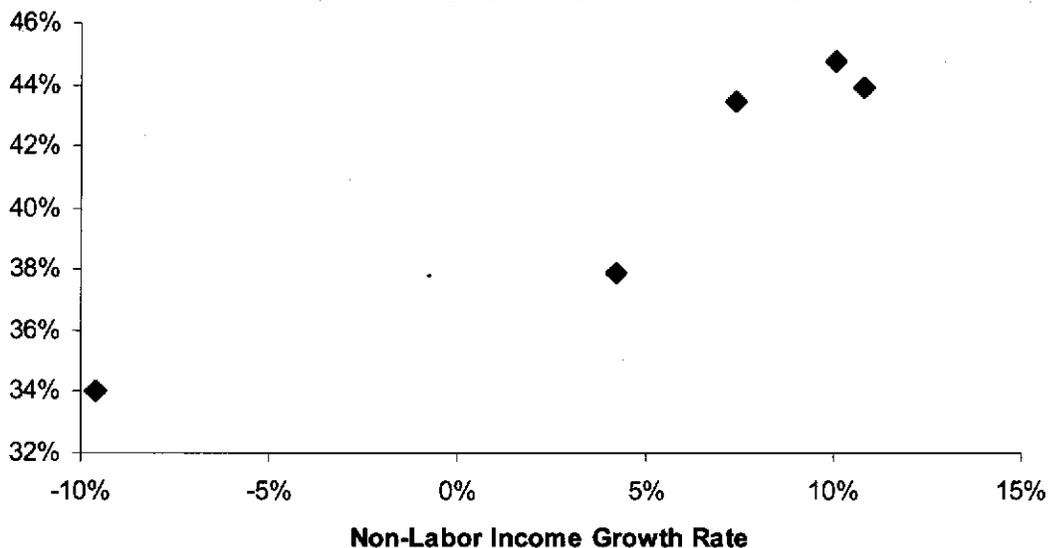
While many people have excess taxes withheld from their wages and salaries in order to receive refunds, few people pay excess estimated payments in order to receive refunds.

**Taxpayers with Withholding or Estimated Payments
Percentages with Refunds and Tax Due**

	<u>% Owing Additional Tax</u>	<u>% Owed Refund</u>	<u>% Even</u>	<u>Total</u>
Withholding Only	20.0%	79.6%	0.4%	100.0%
Estimated Payments Only	40.8%	58.2%	1.0%	100.0%
Both	38.7%	60.8%	0.5%	100.0%
Neither	41.8%	22.0%	36.2%	100.0%

In recent years, a higher percentage of taxpayers making estimated payments paid additional tax with their returns when non-labor income grew faster.

**Percent of Taxpayers Making Estimated Payments Only
Who Owed Additional Taxes with their Returns**



**FY 2005 Monthly Withholding and Estimated Payments
Growth from Same Month Last Year**

	<u>Withholding</u>	<u>Estimated Payments</u>
July	7.0%	21.5%
August	5.6%	24.5%
September	9.8%	26.4%
October	3.8%	35.7%
November	-3.7%	133.9%
December	6.8%	26.6%
January	15.0%	49.8%
February	7.7%	89.9%

