House Bill 637 - Fiscal Impact Estimate

Provided By: Montana National Guard Association/Enlisted Association of the National Guard of Montana

Prepared For: Representative Harry Klock

Service and Duty Type	Number of Members		Average Daily or Annual Salary	Average Annual Duty Days	Total Taxable Earnings	Income Tax Revenue (2005 Average Marginal Tax Rate Per DOR - 3.98%)	Remarks
National Guard (Traditional)	3,540 - 346 AGR's =	3,194	$90	65	$18,684,900	$743,659	Approximate end strength
Reserve (Traditional)	1,100 - 100 AGR's =	1,000	$90	65	$5,850,000	$232,830	Estimated End Strength and AGR's
National Guard (AGR's)		346	$100	365	$12,629,000	$502,634	Actual AGR Count
Reserve (AGR's)		100	$100	365	$0	$0	Current Statute Exempts These Members From State Income Tax
					$37,163,900	$1,479,123	
Estimated Annual Fiscal Impact						**($1,479,123)**	

Assumptions:

1. 3,540 Montana National Guard members of which 346 are AGR's (Active Guard/Reserve).
2. 1.100 Montana Reserve members of which 100 are AGR's (Active Guard/Reserve)
3. Average daily taxable military salary for a "traditional" National Guard or Reserve member is $90. (traditional members perform weekend duty and annual train
4. Average annual number of training days performed by a "traditional" member is 65 days.
5. Average annual taxable salary for an AGR member is $36,500 ($100 per day).
6. Members of the Reserve who are AGR do not pay state income tax under current state statute.
7. The Average Effective Tax Rate for 2005 is 3.98% as published in the MT Department of Revenue Biennial Report.

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EXHIBIT 1
DATE 3-13-07
HB 637

Comparison of Income and Tax Paid by Decile Group

The following table shows Montana adjusted gross income and income tax liability by decile group for 2004 and 2005. Each decile group is 10% of the population, sorted by income. Group 1 is the 10% with the lowest incomes, while group 10 is the 10% with the highest incomes. For each decile group, the table shows the income range and the number of taxpayers; total adjusted gross income and percent of the population total; total tax liability, percent of the population total, and average tax per taxpayer; and the average effective tax rate, which is total tax liability divided by total income.

The progressive nature of Montana's income tax can be seen from the fact that higher deciles have higher average effective tax rates. The changes from 2004 to 2005 reflect both income growth and the changes in tax law from SB407. For example, the highest income group received 41.1% of income in 2004 and 42.9% in 2005 but paid 58.1% of the tax both years with an average effective tax rate of 5.84% in 2004 and 5.39% in 2005.

Average Effective Tax Rate by Decile Group
Full Year Resident Taxpayers - 2004 and 2005

			Adjusted Gross Income		Tax Liability			
Decile Group	Adjusted Gross Income Range	Number of Tax-payers	$ Million	% of Total	$ Million	% of Total	Average Per Tax-payer	Effective Tax Rate
2004								
1	< $3,167	49,445	-$262.2	-1.7%	$0.01	0.0%	$0.22	0.00%
2	$3,167 - $6,984	49,446	$250.6	1.7%	$1.28	0.2%	$25.82	0.51%
3	$6,985 - $11,131	49,445	$446.0	3.0%	$4.82	0.8%	$97.48	1.08%
4	$11,132 - $15,580	49,446	$659.9	4.4%	$10.22	1.6%	$206.70	1.55%
5	$15,581 - $20,275	49,445	$884.5	5.9%	$17.88	2.9%	$361.60	2.02%
6	$20,276 - $25,818	49,446	$1,134.9	7.6%	$28.65	4.6%	$579.49	2.52%
7	$25,219 - $32,992	49,445	$1,447.0	9.6%	$42.90	6.9%	$867.55	2.96%
8	$32,993 - $42,154	49,446	$1,844.7	12.3%	$61.49	9.9%	$1,243.56	3.33%
9	$42,155 - $58,349	49,445	$2,429.0	16.2%	$92.78	14.9%	$1,876.48	3.82%
10	$58,350 and over	49.446	$6,176. 7	41.1 %	360.89	58.1 %	$7,298.65	5.84%
	Total	494,455	$15,011.2	100.0%	$620.92	100.0%	$1,255.76	4.14%
2005								
1	< $3,514	49,666	-$242.2	-1.4%	$0.01	0.0%	$0.11	0.00%
2	$3,515 - $7,630	49,667	$276.8	1.7%	$0.86	0.1%	$17.33	0.31%
3	$7,631 - $12,023	49,667	$487.1	2.9%	$3.79	0.6%	$76.39	0.78%
4	$12,024 - $16,688	49,667	$712.8	4.3%	$9.46	1.4%	$190.53	1.33%
5	$16,689 - $21,653	49,667	$949.4	5.7%	$18.47	2.8%	$371.84	1.95%
6	$21,654 - $27,683	49,666	$1,219.0	7.3%	$31.61	4.7%	$636.43	2.59%
7	$27,684 - $35,222	49,667	$1,557.6	9.3%	$47.31	7.1%	$952.56	3.04%
8	$35,223 - $45,106	49,667	$1,980.6	11.8%	$66.99	10.0%	$1,348.77	3.38%
9	$45,107 - $63,379	49,667	$2,629.6	15.7%	$101.02	15.1%	$2,033.89	3.84%
10	$63,380 and over	49.667	$7,200.1	42.9%	$388.33	58.1 %	$7,818.70	5.39%
	Total	496,668	$16,770.7	100.0%	$667.85	100.0%	$1,344.66	3.98%