

Comparison of Revenue Estimates Discussed in the Joint Subcommittees on Revenue Estimating
January 29 through February 12, 2015.

Comparison of Revenue Aggregates for Sources with Small Differences (\$ millions)

Revenue Aggregates	OBPP January with Mods			LFD January with Mods			LFD - OBPP			Total Difference
	FY 2015	FY 2016	FY 2017	FY 2015	FY 2016	FY 2017	FY 2015	FY 2016	FY 2017	
All Revenue Sources	\$2,174.9	\$2,304.7	\$2,409.8	\$2,118.9	\$2,149.9	\$2,265.4	(56.0)	(154.8)	(144.4)	(\$355.2)
Sum of 23 small difference sources	232.8	241.1	241.5	236.6	237.4	244.9	3.7	(3.7)	3.4	\$3.4
The three adjusted larger sources	40.80	49.10	62.10	41.01	46.53	61.50	0.2	(2.6)	(0.6)	(\$3.0)
The 26 sources discussed	273.64	290.22	303.58	277.57	283.97	306.38	3.9	(6.2)	2.8	\$0.5

Comparison of LFD January Aggregates as Modified, Relative to HJR 2 (\$ millions)

Revenue Aggregates	HJR 2			LFD with Mods			LFD - HJR2			Total Difference
	FY 2015	FY 2016	FY 2017	FY 2015	FY 2016	FY 2017	FY 2015	FY 2016	FY 2017	
All Revenue Sources	\$2,133.0	\$2,230.7	\$2,353.5	\$2,118.9	\$2,149.9	\$2,265.4	(14.1)	(80.8)	(88.1)	(\$183.1)
Sum of 23 small difference sources	236.9	237.3	244.6	236.6	237.4	244.9	(0.4)	0.1	0.2	\$0.0
The three adjusted larger sources	41.09	47.33	60.38	41.01	46.53	61.50	(0.1)	(0.8)	1.1	\$0.2
The 26 sources discussed	278.00	284.63	305.01	277.57	283.97	306.38	(0.4)	(0.7)	1.4	\$0.3

Blue highlights represent the 23 smaller difference sources that match the HJR 2 totals.

Joint Subcommittee on Revenue
SENATE TAX
Exhibit No. 3
Date 2-19-2015
Bill No. _____

LFD & OBPP General Fund Revenue Estimate Update Overview, Including Adjustments Made in Joint Subcommittee January
 (\$ Millions)

Revenue Source	OBPP			LFD			LFD - OBPP			Total Difference
	FY 2015	FY 2016	FY 2017	FY 2015	FY 2016	FY 2017	FY 2015	FY 2016	FY 2017	
Largest Seven Sources										
Individual Income Tax	\$1,160.1	\$1,229.6	\$1,313.0	\$1,088.6	\$1,160.9	\$1,221.7	(71.5)	(68.7)	(91.3)	(\$231.5)
Property Tax	247.9	244.4	253.2	249.8	245.4	255.3	2.0	1.0	2.1	5.1
Corporation Tax	171.8	214.4	197.4	177.1	139.2	149.8	5.3	(75.3)	(47.5)	(117.5)
Vehicle Taxes & Fees	103.2	105.5	107.6	102.2	103.7	105.0	(1.0)	(1.8)	(2.6)	(5.4)
Oil Severance Tax	73.4	71.2	80.8	81.9	71.0	79.2	8.6	(0.2)	(1.6)	6.7
Insurance Tax	66.3	68.1	70.9	64.4	66.4	67.1	(1.8)	(1.7)	(3.7)	(7.3)
Video Gaming Tax	59.9	62.1	64.3	60.2	62.5	65.7	0.3	0.4	1.5	2.2
Other Business Taxes										
Drivers License Fee	3.8	3.9	4.0	4.4	4.1	4.5	0.6	0.1	0.4	1.2
Investment Licenses	7.5	7.8	8.0	7.3	7.4	7.6	(0.2)	(0.4)	(0.5)	(1.1)
Lodging Facilities Sales Tax	20.1	21.9	23.8	19.1	20.1	21.3	(1.0)	(1.8)	(2.6)	(5.4)
Public Contractor's Tax	2.9	3.2	3.5	2.8	3.6	3.5	(0.1)	0.3	(0.1)	0.1
Railroad Car Tax	3.6	3.8	4.0	3.6	3.7	3.9	0.0	(0.0)	(0.1)	(0.1)
Rental Car Sales Tax	3.5	3.5	3.5	3.7	3.9	4.1	0.2	0.4	0.5	1.1
Retail Telecom Excise Tax	19.5	19.4	19.3	19.2	19.0	18.8	(0.3)	(0.4)	(0.5)	(1.1)
Other Natural Resource Taxes										
Coal Severance Tax	16.5	16.8	16.6	15.7	16.3	16.8	(0.8)	(0.5)	0.2	(1.1)
Electrical Energy Tax	4.7	4.5	4.5	4.7	4.6	4.6	0.1	0.1	0.1	0.2
Metal Mines Tax	7.8	8.0	8.2	8.2	8.3	7.9	0.4	0.3	(0.3)	0.4
U.S. Mineral Royalties	26.7	27.3	27.1	27.0	25.4	25.9	0.3	(1.9)	(1.2)	(2.8)
Wholesale Energy Trans Tax	3.7	3.5	3.5	3.6	3.6	3.6	(0.0)	0.1	0.1	0.1
Other Interest Earnings										
Coal Trust Interest Earnings	20.6	19.9	20.0	20.5	19.9	22.5	(0.1)	-	2.5	2.4
TCA Interest Earnings	1.7	9.3	22.0	1.7	9.2	21.9	-	(0.1)	(0.1)	(0.2)
Other Consumption Taxes										
Beer Tax	3.0	3.0	3.1	3.1	3.2	3.2	0.1	0.1	0.2	0.4
Cigarette Tax	30.2	30.6	30.2	30.7	31.4	30.7	0.5	0.7	0.5	1.8
Liquor Excise Tax	19.3	20.1	20.5	19.0	19.6	20.5	(0.3)	(0.4)	(0.1)	(0.8)
Liquor Profits	10.8	11.0	11.2	10.7	11.1	11.6	(0.1)	0.1	0.4	0.5
Lottery Profits	12.4	12.5	13.0	12.3	11.9	13.7	(0.1)	(0.6)	0.7	0.0
Tobacco Tax	6.2	6.4	6.6	6.2	6.4	6.6	0.1	0.0	(0.0)	0.1
Wine Tax	2.3	2.4	2.5	2.3	2.4	2.4	0.0	(0.0)	(0.0)	(0.0)
Other Sources										
All Other Revenue	36.3	40.5	37.2	39.6	36.8	37.0	3.3	(3.7)	(0.2)	(0.6)
Highway Patrol Fines	4.4	4.6	5.0	4.2	4.3	4.3	(0.1)	(0.4)	(0.7)	(1.2)
Nursing Facilities Fee	4.8	4.7	4.6	4.9	4.8	4.7	0.1	0.1	0.1	0.3
Public Institution Reimb.	17.0	17.3	17.8	16.6	16.9	17.0	(0.3)	(0.4)	(0.8)	(1.5)
Tobacco Settlement	3.3	3.2	3.1	3.2	3.1	3.1	(0.1)	(0.1)	0.0	(0.1)
Total General Fund	\$2,174.9	\$2,304.7	\$2,409.8	\$2,118.9	\$2,149.9	\$2,265.4	(\$56.0)	(\$154.8)	(\$144.4)	(\$355.2)

Joint Subcommittee on
Revenue Estimating

3

2-19-2015

Office of Budget and Program Planning

Joint Subcommittee
SENATE Revenue
Estimating TAX

3

2/19/15

Corporation Income Tax (15-31-121, MCA)

Bill No.

1. Model Characteristics

- Total Montana corporate income tax collections, are projected as a function of fiscal year national corporate profits before taxes (with a one-year and a two-year lag), an indicator variable for accelerated depreciation rate regime, and a dummy variable to capture the extraordinary (positive) effects of FY 2009 collections. The model accounts for serial autocorrelation bias with lagged variables.
- The model was tested for the pre-FY 1992 and post-FY 1992 periods supporting the use of the longer time series, despite historical tax policy changes and structural changes in the Montana economy.
- The revenue estimate does not use the model predicted forecast revenue. Because of taxpayer flexibility granted by accounting rules, the option to carry-forward losses (7 years), or claw-back prior taxes paid (three years), the lower 90th percentile confidence bound is used to mitigate risk.

2. Model Data

- State accounting records, BEA/IHS U.S. Corporate profits, IRS bonus depreciation rules
- The historical data cover the FY 1969 to FY 2014.
- IHS projections drive the estimates for FY 2015- FY 2017

3. Key Variables

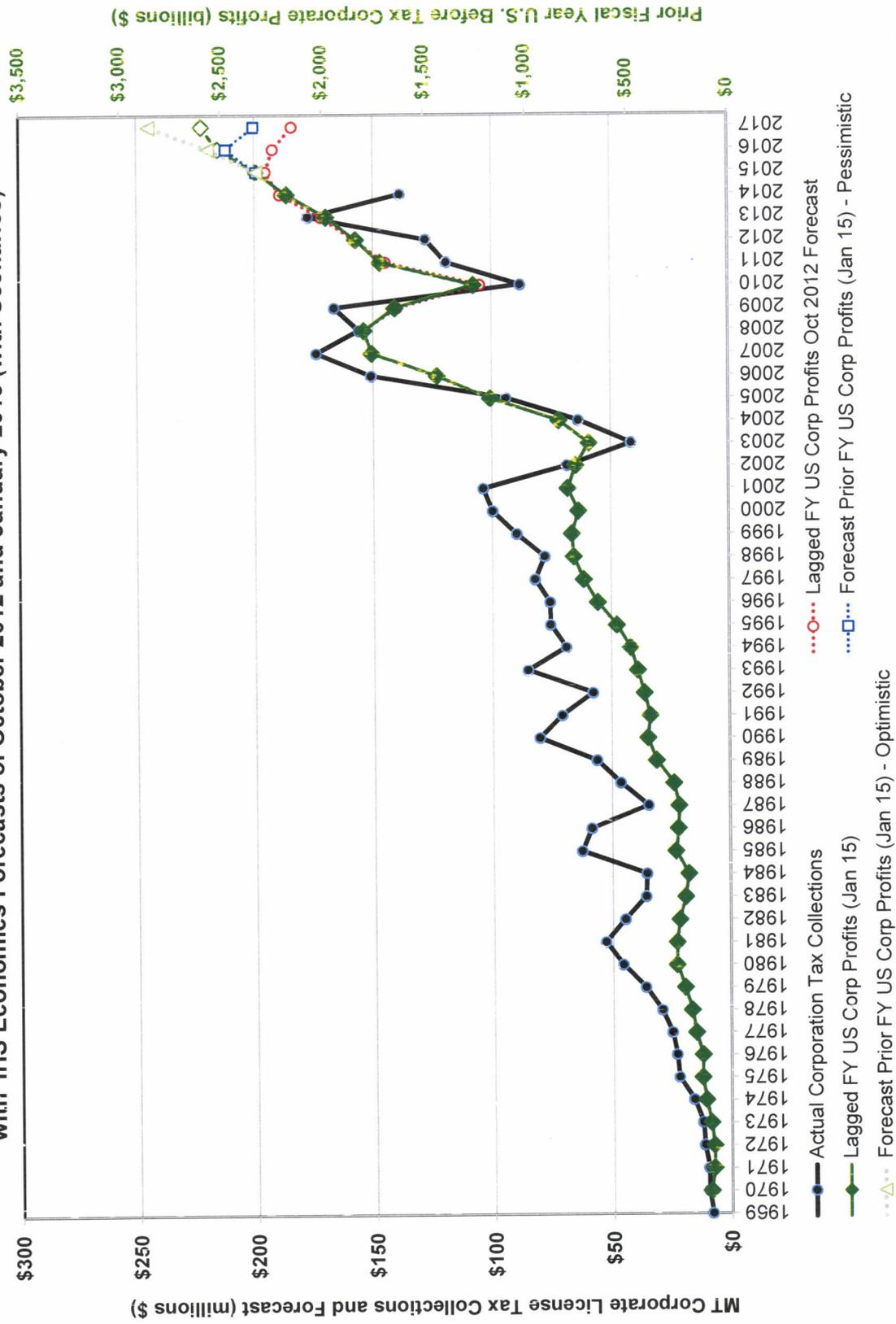
- Total Montana FY corporation income tax collections
- BEA U.S. corporate profits
- IRS statutory accelerated depreciation rates and thresholds

4. Other Important Points

- Corporations pay taxes based on the Montana share of their accounting profits.
- Corporations may reorganize their business structure, which can have effects on the level and allocation of tax between individual income tax and corporation income tax.
- The top 100 (of around 16,500) corporation tax filers pay 70% of corporation tax.
- The largest taxpayers tend to operate worldwide, or nationally, and have profit shares allocated to Montana.
- Since CY 2001, there have been seven federal accelerated depreciation law changes; some of the changes have been retroactive.
- Accelerated depreciation does not eliminate or reduce tax liability permanently; the liability is shifted into the future, complicating the timing of tax collections.
- The use of and the true stock of carry-forward losses is currently unknown. Their use at greater than historical pattern may lower corporation license tax collections, and vice versa.



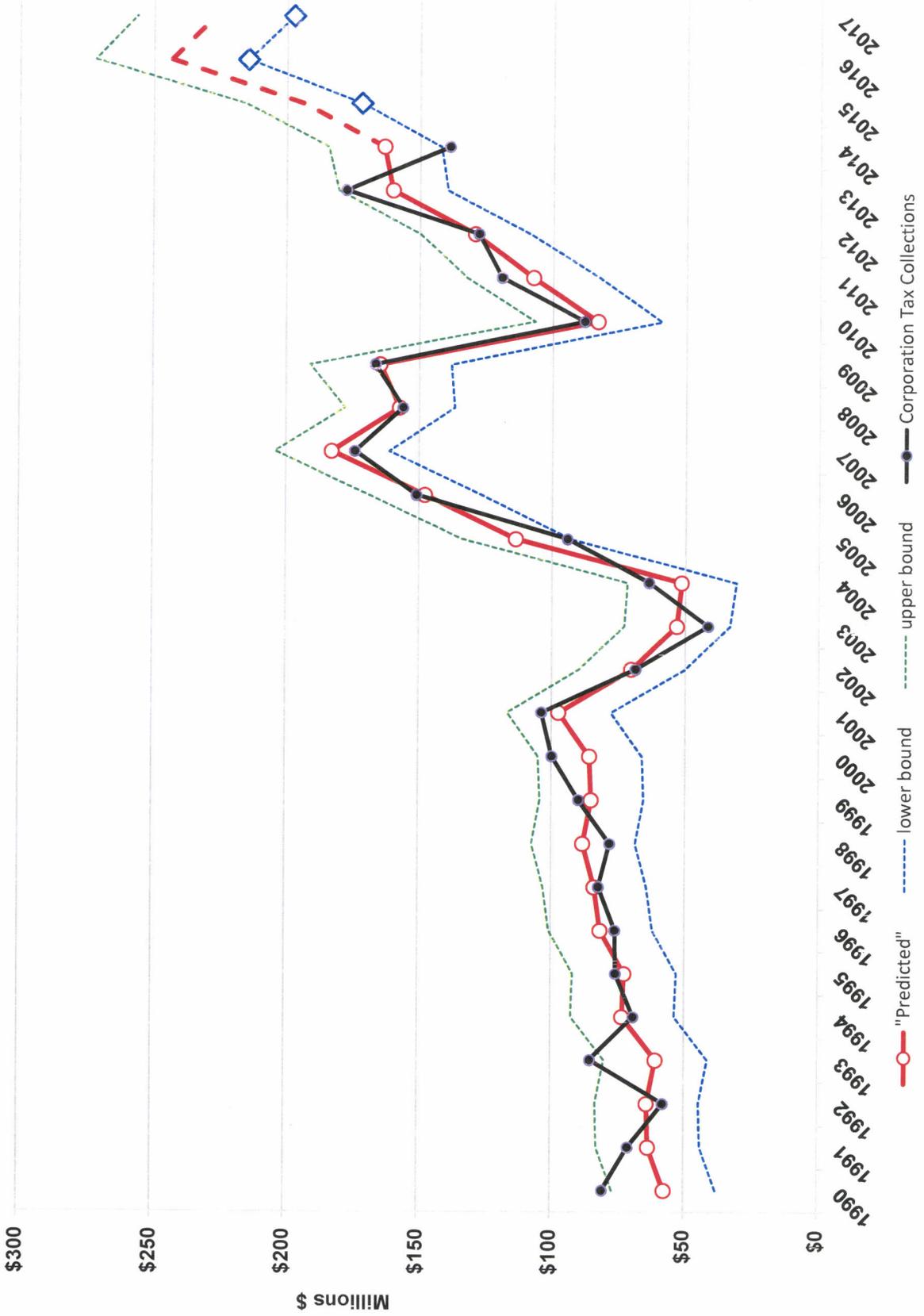
Graph 1
Montana Corporation Tax Revenue and Prior Fiscal Year U.S. Before-Tax Corporate Profits
with IHS Economics Forecasts of October 2012 and January 2015 (with Scenarios)



For questions or additional information please contact the Office of Budget and Program Planning at 444-3616.



Corporation Income Tax Collections - Actual, Model, and 90th Percentile Confidence Bounds, with Projections for FY 2015, FY 2016, and FY 2017



STATE OF CALIFORNIA
COUNTY OF [illegible]
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