

## LODGING FACILITIES USE TAX: SUMMARY OF DIFFERENCES & ADJUSTMENTS

The table below shows the estimate contained in HJ 2, the January estimate updates provided by the executive and LFD, and the adjustments, if applicable, made since the initial presentation to the Joint Subcommittee on Revenue Estimates.

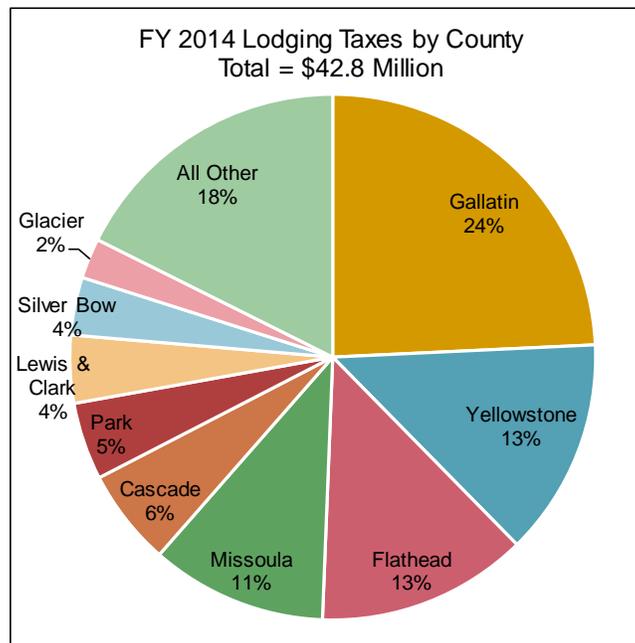
Lodging Facilities Use Tax Revenue Estimate Differences (\$ Millions)								
FY	HJ 2	January Executive	January LFD	January \$ Diff.	Adjusted Executive	Adjusted LFD	Adjusted \$ Diff.	Comments
2015	\$19.2	\$20.1	\$19.1	\$1.0		\$19.8	\$0.3	
2016	20.1	21.9	20.1	1.8		21.1	0.8	
2017	21.3	23.8	21.3	2.6		21.9	2.0	
<b>Total</b>	<b>\$60.6</b>	<b>\$65.8</b>	<b>\$60.4</b>	<b>\$5.4</b>	<b>\$0.0</b>	<b>\$62.7</b>	<b>\$3.1</b>	

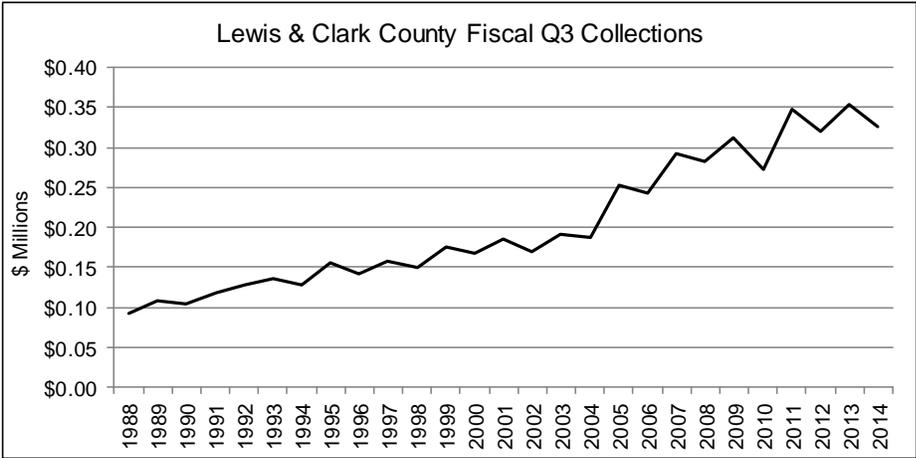
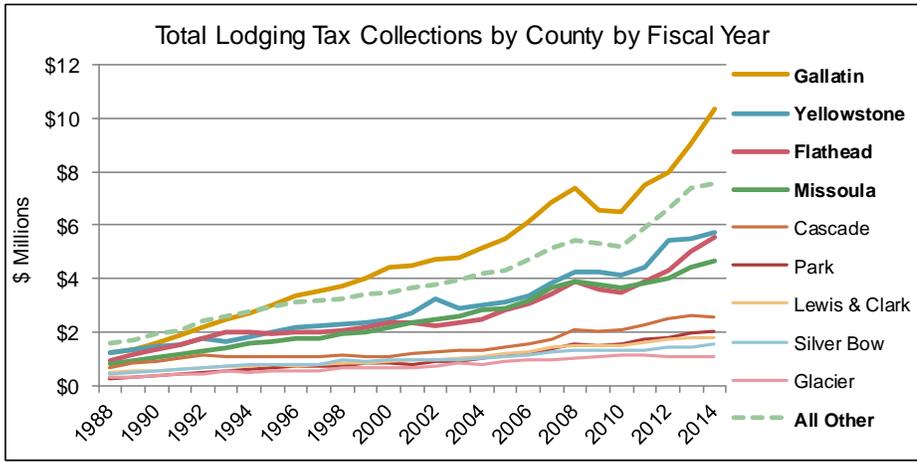
### ADJUSTMENTS TO JANUARY UPDATES

- LFD estimate replaced U.S. Personal Income with U.S. Consumer Spending on Accommodations as the underlying economic driver

### REQUESTED INFORMATION

Total lodging tax collections were \$42.8 million in FY 2014. The committee requested information on county breakout of the total. The charts below illustrate a few of the findings from the county-specific data, which is available online at <http://tourism.mt.gov/MontanasTourismIndustry/LodgingFacilityTaxRevenue>.





**COMMITTEE COMMENTS, CONCERNS OR SUGGESTIONS**

## PROPERTY TAX: SUMMARY OF DIFFERENCES & ADJUSTMENTS

The table below shows the estimate contained in HJ 2, the January estimate updates provided by the executive and LFD, and the adjustments, if applicable, made since the initial presentation to the Joint Subcommittee on Revenue Estimates.

Property Tax Revenue Estimate Differences (\$ Millions)								
FY	HJ 2	January Executive	January LFD	January \$ Diff.	Adjusted Executive	Adjusted LFD	Adjusted \$ Diff.	Comments
2015	\$249.8	\$247.9	\$249.8	(\$2.0)		\$249.8	(\$249.8)	
2016	245.4	244.4	245.4	(1.0)		245.4	(245.4)	
2017	255.3	253.2	255.3	(2.1)		255.3	(255.3)	
Total	\$750.5	\$745.4	\$750.5	(\$5.1)	\$0.0	\$750.5	(\$750.5)	

## MODEL COMPARISON

- The property models are very similar: LFD grows property classes off of taxable value; OBPP grows property classes off of market value. This is one of the reasons this estimate is very close

## ADJUSTMENTS TO JANUARY UPDATES

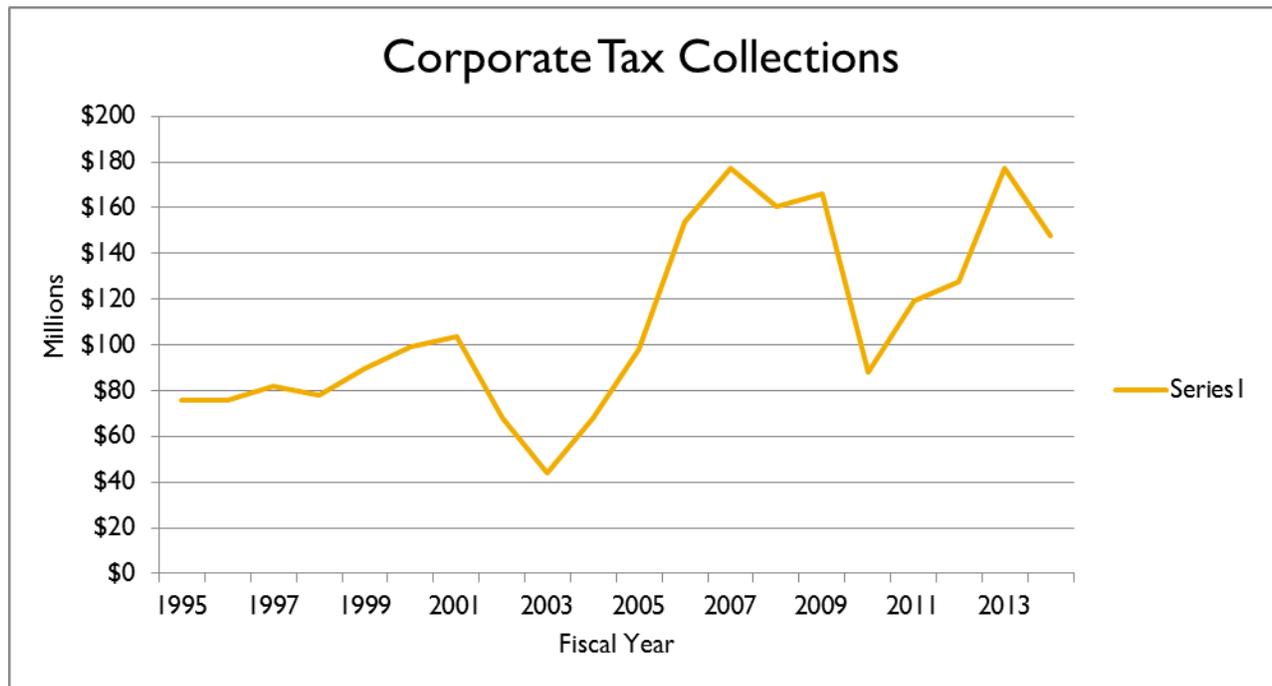
- One of the bigger differences in the estimates has to do with coal gross proceeds. Upon discussion of this, it appears as though there may have been an issue with the FY 2014 number in the executive estimate, and adjusting for this brought the estimates much closer
- For estimate updates there is some new data, such as new protested property data, that will be incorporated into the models, but that will likely cause very similar, and slight, effects in both models; it has not been incorporated at this time

## COMMITTEE COMMENTS, CONCERNS OR SUGGESTIONS

## CORPORATION INCOME TAX: SUMMARY OF DIFFERENCES & ADJUSTMENTS

The table below shows the estimate contained in HJ 2, the January estimate updates provided by the executive and LFD, and any adjustments since the January estimate.

Corporation Income Tax Revenue Estimate Differences (\$ Millions)								
FY	HJ 2	January Executive	January LFD	January \$ Diff.	Adjusted Executive	Adjusted LFD	Adjusted \$ Diff.	Comments
2015	\$157.7	\$171.8	\$177.1	(\$5.3)	\$171.8	\$177.1	(\$5.3)	
2016	148.6	214.4	139.2	75.3	214.4	151.1	63.3	
2017	152.5	197.4	149.8	47.5	197.4	163.3	34.1	
<b>Total</b>	<b>\$458.8</b>	<b>\$583.6</b>	<b>\$466.1</b>	<b>\$117.5</b>	<b>\$583.6</b>	<b>\$491.5</b>	<b>\$92.1</b>	

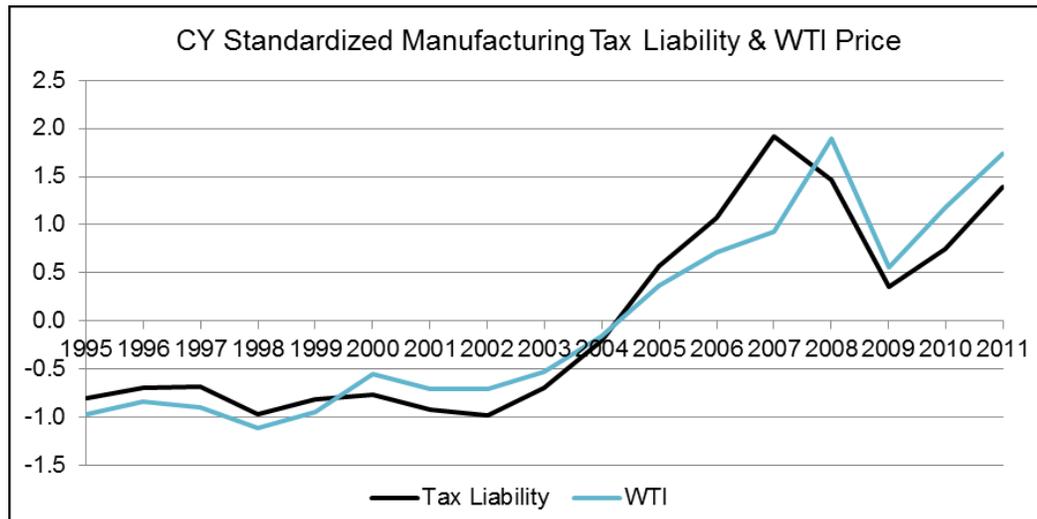


- Extremely volatile source
- Montana allows corporations to carry back current year losses three years and carry forward losses up to seven years
- Top 20 corporations pay approximately 50% of total corporation income tax

## MODEL COMPARISON

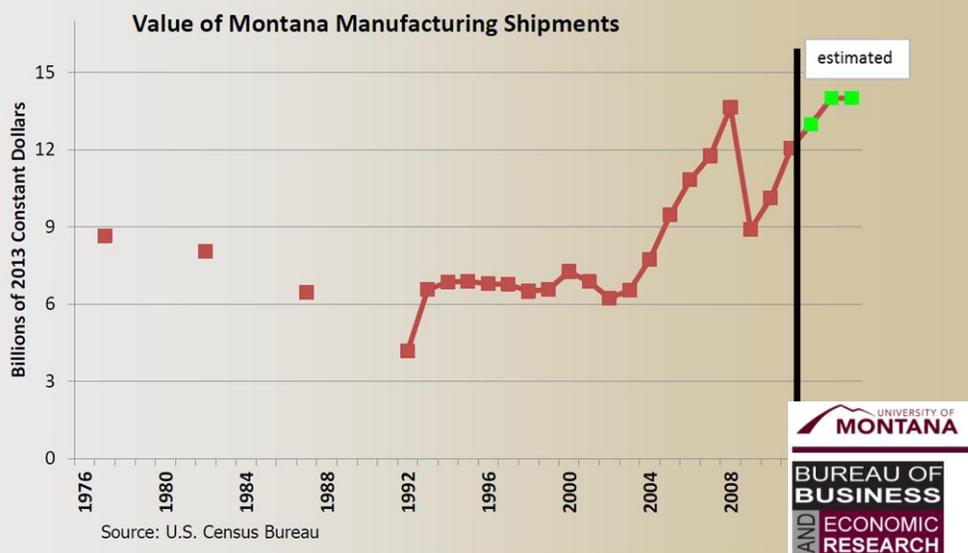
- The LFD forecasts eleven corporate sectors individually, then combines them for a final estimate. Models are fit using calendar year data then converted to fiscal year numbers.
- Sectors are forecast using a variety of economic variables from IHS.

- Contributing variables are West Texas Intermediate (WTI), MT retail sales, MT population, MT wholesale employment, and median home prices.
- Manufacturing, retail trade, transportation, and large banks sectors make up approximately 75% of the total corporation income tax.
- OBPP estimates corporation income taxes using the three most recent completed fiscal years as predictors.
- Large driver of the difference is the LFD's inclusion of WTI in their model to forecast the manufacturing sector.



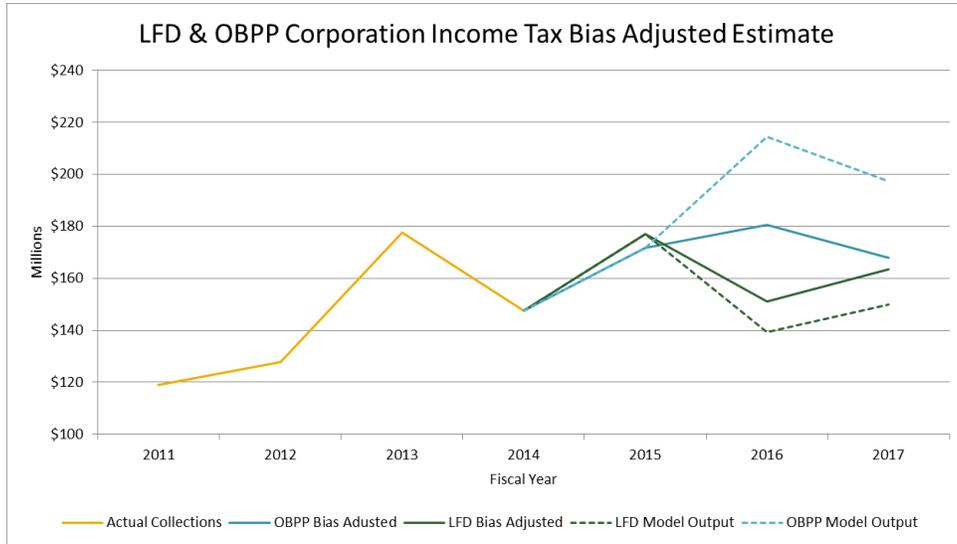
# Montana Manufacturing

- **Inflation adjusted value of output increasing**
- **Highly influenced by price of petroleum products**



## MODEL ADJUSTMENTS

- Research on the model's error was conducted over the summer to gain insight into the bias associated with the model.
- Results show that this model tends to underestimate revenues in the two years of the biennium. For the 2017 biennium this amounts to an estimate of the bias on average of 8.5% and 9.0% in FY 2016 and FY 2017 respectively.
- The LFD estimates have therefore been adjusted to account for this bias in FY 2016 and FY 2017.
- Similar estimates for the bias were calculated for the OBPP model.



- Resulting values for the bias adjusted estimates are below.

	LFD	OPBB	Difference
FY 2015	\$177.1	\$171.8	(\$5.3)
FY 2016	151.1	180.6	29.5
FY 2017	163.3	167.8	4.5
Total	\$491.5	\$520.2	\$28.7

## COMMITTEE COMMENTS, CONCERNS OR SUGGESTIONS